Case No. 20-1629-EL-RDR

Compliance Audit of the 2020 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company

and

Expanded Scope

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ORGANIZATION OF BLUE RIDGE'S REPORT

Blue Ridge Consulting Services, Inc. ("Blue Ridge"), the auditor selected for the 2020 review of the Delivery Capital Recovery (DCR) rider of The Cleveland Electric Illuminating Company (CE, CEI, or CECO), Ohio Edison Company (OE or OECO), and The Toledo Edison Company (TE or TECO), collectively referred to as "FirstEnergy" or "Companies," organized this report of its audit activity and conclusions according to the following major sections:

- *Executive Summary*: This section provides a summary of Blue Ridge's observations, findings, conclusions, and recommendations that are presented in more detail in the body of the report.
- *Summary of Blue Ridge Recommendations*: This section contains a listing of adjustments and recommendations resulting from the current Rider DCR audit.
- *Overview of Investigation*: This section includes discussion of these topics: background; project purpose; project scope; audit standard; information reviewed; description of the Rider DCR Compliance Filings reviewed; and a brief summary of the variance analyses, transactional testing, and other analyses performed by Blue Ridge.
- *Status of Recommendations of Prior Compliance Audits*: This section presents the current status of the Companies implementation of recommendations from prior DCR Rider audits.
- *Findings and Recommendations*: This section documents Blue Ridge's analysis that led to our observations, findings, and recommendations regarding the components that comprise Rider DCR. In several instances, Blue Ridge used information in this report obtained from prior DCR year audits. We labeled such information to identify its source and provide the data within the workpapers supporting this report.
- *Appendices*

The overall scope of this audit was to determine whether the Companies implemented their DCR rider, approved by the Public Utilities Commission of Ohio (PUCO or "Commission"), and whether the implementation is in compliance with the Combined Stipulation agreement set forth in the Opinion and Order issued in Case No. 14-1297-EL-SSO et al. The overall scope divides into the following individual elements:

- Review Cases 10-388-EL-SSO, 12-1240-EL-SSO, and 15-1297-EL-SSO and related stipulation agreements.
- Review Cases 19-1887-EL-RDR, 18-1542-EL-RDR, 17-2009-EL-RDR, 16-2041-EL-RDR, 15-1739-EL-RDR, 14-1929-EL-RDR, 13-2100-EL-RDR, 12-2885-EL-RDR, and 11-5428-EL- RDR regarding Compliance Audit of the DCR Rider.
- Read all applicable testimony and workpapers.
- Obtain and review all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred for the actual year ending November 30, 2020. An effort shall be made to include within the review the plant balances as of December 31, 2020.
- Obtain and review all appropriate documentation relating to the Companies' compliance with the Commission-approved DCR Rider.
- Review the Companies 2019 internal audits concerning controls which would affect the DCR.

- Obtain and review all appropriate documentation relating to compliance with Findings in the Commission's Finding and Order in Case Nos. 14- 1929-EL-RDR and 15-1739-EL-RDR. The audit shall also review all appropriate documentation relating to the issues identified in the Auditor's Reports in Case Numbers 16-2041-EL-RDR, 17-2009-EL-RDR, 18-1542- EL-RDR, and 19-1887-EL-RDR to determine if the issues raised have been addressed pursuant to the Auditor's recommendation, and if not, the impact of the Companies not addressing the identified concerns.

From the scope requirements for this audit, Blue Ridge separated those elements performed in preparation for the review as a whole from those specifically intended for audit tasks. Blue Ridge developed a list of objectives to ensure we fulfilled all scope requirements for the audit. The following list provides the Blue-Ridge-developed objectives along with their review areas. The report presents these objectives in the locations associated with their discussion.

Objective: Review the Companies' compliance and status of Commission findings and orders (including DCR Audit report recommendations) in prior cases.
Report Section: Status of Recommendations of Prior Compliance Audits

Objective: Review and update the processes and controls identified during the last audit that affect the costs in Rider DCR to validate that FirstEnergy exhibits reasonable management practices associated with the investment funded by Rider DCR.
Report Subsection: Processes and Controls

Objective: Review the Companies' internal audits and SOX compliance which would affect Rider DCR.
Report Subsection: Processes and Controls

Objective: Perform a variance analysis to determine the reasonableness of any changes in plant in service balances, including additions, retirements, transfers, and adjustments.
Report Subsection: Variance Analysis

Objective: Determine whether capital additions recovered through Riders LEX, EDR, and AMI have been identified and excluded from Rider DCR. Determine whether capital additions recovered through any other subsequent rider authorized by the Commission to recover delivery-related capital additions have been identified and excluded from Rider DCR.
Report Subsection: LEX, EDR, AMI, and General Exclusions

Objective: Determine whether the Companies' recovery of the incremental change in Gross Plant is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Gross Plant in Service

Objective: Determine whether the Companies' recovery of the incremental change in Accumulated Reserve for Depreciation is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Accumulated Reserve for Depreciation

Objective: Determine whether the Companies' recovery of the incremental accumulated deferred income taxes (ADIT) is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Accumulated Deferred Income Taxes

Objective: Determine whether the Companies' recovery of the incremental depreciation expense is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Depreciation Expense

Objective: Determine whether the Companies' recovery of incremental property taxes is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Property Tax Expense

Objective: Determine whether the Companies' recovery of allocated Service Company plant in service, accumulated reserve, ADIT, depreciation expense, and property tax expense is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Service Company

Objective: Determine whether the Companies' recovery of Commercial Activity Tax (CAT) associated with the revenue requirement is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Commercial Activity Tax and Income Taxes

Objective: Determine whether the Companies' recovery of associated income taxes associated with the revenue requirement is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Commercial Activity Tax and Income Taxes

Objective: Determine whether the Companies' implementation of the Tax Cuts and Jobs Act of 2017 is consistent with what was approved by the Commission on July 17, 2019, in Case No. 18-1656-EL-ATA.
Report Subsection: Tax Cuts and Jobs Act Effect

Objective: Determine whether the Companies return on and of plant in service associated with distribution, subtransmission, general, and intangible plant, including allocated general plant from FirstEnergy Service Company, is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Return

Objective: Determine whether the Companies' revenue requirement calculation for Rider DCR is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
Report Subsection: Rider DCR Calculation

Objective: Develop an understanding of the projection methodology used by the Companies for plant in service, property taxes, Commercial Activity Tax, and Income Tax.
Report Subsection: Projections

Objective: Determine the impact of all findings to Rider DCR revenue requirements.
Report Subsection: Overall Impact of Findings on Rider DCR Revenue Requirements

In addition, this report includes a Confidential addendum regarding disclosed vendor payments in light of the recent allegations surrounding FirstEnergy Corp. addressed in Case No. 17-974-EL-UNC: *In the Matter of the Review of Ohio Edison Co., Cleveland Elec. Illum. Co., and Toledo Edison Co.'s*

Compliance with R.C. 4928.17 and Ohio Adm. Code 49.1:1-37, Entry November 4, 2020. The Commission directed Blue Ridge to expand the scope of its review in this proceeding to determine whether any funds collected from ratepayers were used to pay the vendors and, if so, whether the funds associated with those payments should be returned to ratepayers through Rider DCR or through an alternative proceeding.

EXECUTIVE SUMMARY

BACKGROUND

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer (SSO) consisting of either a market rate offer (MRO), Section 4928.142 Revised Code, or an electric security plan (ESP), Section 4928.143 Revised Code. The Companies filed an application for approval of an ESP in Case No. 10-388-EL-SSO ("ESP II Case"). A majority of the parties in the case entered into an original stipulation and two supplemental stipulations (collectively, "Combined Stipulation"), and after a hearing, the Commission issued an Opinion and Order approving the Combined Stipulation in its entirety on August 25, 2010.

As part of its Opinion and Order, the Commission approved the establishment of the Rider DCR, effective January 1, 2012, to be updated and reconciled quarterly. The Opinion and Order allowed the Companies the opportunity to recover property taxes, Commercial Activity Tax, and associated income taxes, and to earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant, including allocated general plant from FirstEnergy Service Company, which was not included in the rate base determined in the Opinion and Order of January 21, 2009, in Case No. 07-551-EL-AIR (last rate case). On April 13, 2012, FirstEnergy filed an application for its next ESP, which was largely an extension of the Combined Stipulation, which the Commission approved with modifications on July 18, 2012, in Case No. 12-1230-EL-SSO ("ESP III Case"). The Rider DCR was extended with modifications by Order dated March 31, 2016, and reaffirmed on October 12, 2016, in Case No. 14-1297-EL-SSO ("ESP IV Case") through May 31, 2024.

The Commission ordered an annual audit review of its Rider DCR for the purpose of determining whether the amounts for which recovery is sought are not unreasonable in light of the facts and circumstances known to the Companies at the time such expenditures were committed. The agreement also stipulated that, at the Commission's discretion, either an independent third-party auditor or the Commission's Staff would conduct the annual audit review.

The Commission's Request for Proposal (RFP) sought proposals to audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR since the Companies' last Rider DCR Compliance Audit. Blue Ridge submitted a proposal and was selected to perform the DCR year 2020 compliance audit. Blue Ridge also performed all the past Rider DCR compliance audits, covering plant in service since the last distribution rate case. (The multiple audits covered the period June 1, 2007, through November 30, 2019).

PURPOSE OF PROJECT

As defined in the RFP, the project includes the following purposes:

- Audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR with regard to the return earned on plant in service since the Companies' last Rider DCR Compliance Audit.
- Identify capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, to ensure they are identified and excluded from Rider DCR.

- Identify, quantify, and explain any significant net plant increase within individual accounts.

PROJECT SCOPE

The audit, as defined in the RFP, will address the following project scope:

> Determine if FirstEnergy has implemented its Commission-approved DCR Rider and is in compliance with the Combined Stipulation agreement set forth in *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan,* Case No. 14-1297-EL-SSO, et al., Opinion and Order (Case No. 14-1297).

As required by the RFP, Blue Ridge reviewed appropriate information associated with the stipulation and prior cases associated with the implementation of Rider DCR. During the course of the audit, Blue Ridge reviewed the compliance filings, developed transactional testing using statistically valid sampling techniques, and performed other analyses to allow Blue Ridge to determine whether the costs included in the Rider DCR were not unreasonable.

FINDINGS AND RECOMMENDATIONS

OVERALL IMPACT OF FINDINGS ON RIDER DCR REVENUE REQUIREMENTS

Blue Ridge's review found several items that have an impact on Rider DCR Revenue Requirements, including vegetation management expenditures that should not be charged to plant, over accrued AFUDC, inclusion of LTIP, retirements not timely recorded, and depreciation charged to full amortized assets. The flow-through of these adjustments impacts the DCR as shown in the following table. While some of the adjustments have de minimus effects, we have, nevertheless, included all adjustments to provide record of the total impact.

Table 1: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement

Adj #	Description	CEI	OE	TE	Total
	As Filed	**$ 156,461,204**	**$ 164,514,272**	**$ 40,062,907**	**$ 361,038,383**
1	Capitalized Vegetation Management Expense - CECO - Various WO#'s	(1,686,259)	-	-	(1,686,259)
2	Capitalized Vegetation Management Expense - OECO - Various WO#'s	-	(1,025,521)	-	(1,025,521)
3	Capitalized Vegetation Management Expense - TECO - Various WO#'s	-	-	(402,349)	(402,349)
4	AFUDC Over Accrued - OECO - WO# 13300165	-	(31,007)	-	(31,007)
5	AFUDC Over Accrued - OECO - WO# 14431541	-	(11,373)	-	(11,373)
6	AFUDC Over Accrued - TECO - WO# IF-TW-000025-1	-	-	(1,406)	(1,406)
7	LTIP-Stock - CECO, OECO, TECO	(89,959)	(104,226)	(34,414)	(228,599)
8	Retirements Not Recorded - CECO - WO# 15599597	(6)	-	-	(6)
9	Retirements Not Recorded - OECO - WO# IF-OE-000135-1	-	(792)	-	(792)
10	Retirements Not Recorded - OECO - WO# IF-OE-000131-1	-	(29,541)	-	(29,541)
11	Retirements Not Recorded - OECO - WO# IF-OE-000132-1	-	2,383	-	2,383
12	Retirements Not Recorded - OECO - WO# IF-OE-000136-1	-	(740)	-	(740)
13	Retirements Not Recorded - OECO - WO# IF-OE-000137-1	-	(429)	-	(429)
14	Retirements Not Recorded - OECO - WO# IF-SC-000247-1	-	(1,582)	-	(1,582)
15	Retirements Not Recorded - CECO - WO# 14861458	(52,688)	-	-	(52,688)
16	Retirements Not Recorded - CECO - WO# CE-001603-DO-MSTM	(23,726)	-	-	(23,726)
17	Retirements Not Recorded - OECO - WO# 16616511	-	(156)	-	(156)
18	Retirements Not Recorded - TECO - WO# 15776111	-	-	(2,821)	(2,821)
19	Retirements Not Recorded - TECO - WO# 15997031	-	-	(537)	(537)
20	Depreciation on Fully Amortized Assets - CECO	(4,158)	-	-	(4,158)
21	Regulatory Liability TCJA - CECO	(795,662)	-	-	(795,662)
22	Regulatory Liability TCJA - OECO	-	(1,331,512)	-	(1,331,512)
23	Regulatory Liability TCJA - TECO	-	-	(158,722)	(158,722)
24	Capitalized MARCs User Radio Fees - CECO - WO# CE-00827-TQ	(9,813)	-	-	(9,813)
	Impact of All Adjustments	**(2,662,272)**	**(2,534,496)**	**(600,249)**	**(5,797,016)**
	Recommended Rider DCR Revenue Requirements	**$ 153,798,932**	**$ 161,979,776**	**$ 39,462,659**	**$ 355,241,367**

Processes and Controls

Blue Ridge was able to obtain an understanding of the Companies' processes and controls that affect each of the categories within Rider DCR.

In accordance with the recent ruling in Case No. 17-2009-EL-RDR, Blue Ridge continues to believe that the Companies' vegetation management (VM) policies and processes are in conflict with FERC Uniform System of Accounts. As ordered in that case, the Companies were instructed to implement the recommendations set forth in the 2017 Audit Report, which includes adjusting its current accounting policy regarding the capitalization of certain clearing activities. Therefore, Blue Ridge continues to recommend that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

In review of Sarbanes-Oxley audits conducted over the scope period, Blue Ridge found one audit with a significant finding related to the payment of invoices through the non-purchase order process without valid contracts. The payment authority control was circumvented. The Companies have not yet completed remediation testing on this issue, and this issue could have implications related to the DCR. Blue Ridge recommends that, once the Companies complete remediation testing, the auditor of the next DCR audit review the results.

Based on information reviewed, and except for the recommendations noted above, Blue Ridge concludes that the Companies' controls were adequate and not unreasonable.

Variance Analysis

FirstEnergy's responses regarding the variances in plant account balances were largely as a result of normal work order activity and are not uncommon among utilities. The only exception was a timing issue regarding retirements Blue Ridge found during its examination. We address the issue in the Gross Plant in Service section below. Our variance analysis results showed the change in total plant balances for each of the Companies to be not unreasonable.

Rider LEX, EDR, AMI, and General Exclusions

Blue Ridge reviewed the Companies' exclusion for capital additions recovered through Commission-approved Riders LEX, EDR, and AMI. We also reviewed other subsequent riders authorized by the Commission that recover delivery-related capital additions to ensure they have been excluded from the DCR. These other riders included Experimental Company Owned LED Light Program and the Government Directive Recovery Rider (Rider GDR). We also reviewed other general exclusions, such as land leased to ATSI and Generation, to ensure they were properly excluded. Blue Ridge found that the Companies' exclusions were not unreasonable.

Gross Plant in Service

The Rider DCR Compliance Filings include the following gross plant-in-service incremental change for each company from the time of the prior audit.

Table 2: Incremental Change in Gross Plant from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 3,282,389,260	$ 3,386,822,782	$ 104,433,522
Ohio Edison Company	3,728,185,289	3,843,708,376	115,523,087
The Toledo Edison Company	1,262,294,764	1,298,295,163	36,000,399
Total	**$ 8,272,869,313**	**$ 8,528,826,321**	**$ 255,957,008**

The Companies provided a list of work orders that support gross plant in service for December 2019 through November 2020. Blue Ridge selected a statistically valid sample of work orders (added additional work orders using professional judgment) for detailed transactional testing.

For the most part, Blue Ridge found that our observations and findings from the testing steps were met with justifications that proved to be not unreasonable.

Blue Ridge found that with the exception of vegetation management (VM), plant in service was appropriately associated with distribution, subtransmission, and general and intangible plant.

As discussed in the Processes and Controls section above, Blue Ridge found fault with the classification of capital work regarding VM. Blue Ridge has calculated the impact to the DCR and has applied the appropriate adjustments.

Blue Ridge found that, based on the description of the work performed and the Companies' explanations, all work orders in the sample were closed to the proper FERC accounts except for the VM work orders discussed above that are, in our opinion, not capital charges and, therefore, should not be included in the FERC 300 accounts.

Blue Ridge reviewed the justifications for all work orders in the sample, exclusive of blanket, multi-year projects, transfers, and adjustments, and found the justifications for all project work orders not unreasonable. In addition, the explanations for transfers and adjustments were not unreasonable.

Additionally, Blue Ridge found no anomalies in its review of proper approval level for work orders / projects.

During work order testing, the Company mentioned one work order which had been incorrectly capitalized up until September 2020. The charges were adjusted off the project and into operations expense. There is a minimal effect reducing revenue requirements.

Also during work order testing, Blue Ridge found several adjustments to revenue requirements necessary. Three work orders had not been closed timely after the work was complete. Blue Ridge also found that long-term incentive plan (LTIP) costs were included, and Blue Ridge recommends removal since LTIP's focus is on shareholder interests. Seven work orders were replacement work orders that had no retirement nor cost of removal charges. Five replacement work orders had retirements not recorded. Blue Ridge also found two work orders with negative cost of removal.

Additionally, field verification was performed for 13 selected projects. All 13 projects selected were confirmed to be installed and used and useful.

Blue Ridge found that the Companies have reduced the number of backlogged work orders. Blue Ridge recommends that the Companies make a concerted effort to continue to reduce the volume of backlog work orders, both in quantity and dollar value, to return to the 2018 level.

Insurance recoveries can reduce gross plant and should be taken into consideration in the calculation of the DCR. FirstEnergy stated that there were no insurance recoveries charged to capital for the Companies from December 1, 2019, through November 30, 2020.

Accumulated Reserve for Depreciation

The Rider DCR Compliance Filings include the following accumulated reserve for depreciation ("reserve") incremental change from the prior audit for each company.

Table 3: Incremental Change in Reserve for Depreciation from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ (1,459,339,899)	$ (1,536,057,216)	$ (76,717,317)
Ohio Edison Company	(1,522,980,899)	(1,596,214,657)	(73,233,757)
The Toledo Edison Company	(664,513,182)	(696,858,526)	(32,345,344)
Total	**$ (3,646,833,980)**	**$ (3,829,130,398)**	**$ (182,296,418)**

As discussed above, Blue Ridge found adjustments to gross plant that also required adjustments to the reserve balances to ensure that net plant is appropriately reflected in the DCR. The specific adjustments are discussed in Gross Plant in Service subsections. The impacts of these findings are discussed in this report's subsection Overall Impact of Findings on Rider DCR Revenue Requirements.

Accumulated Deferred Income Taxes

The Rider DCR Compliance Filings include the following accumulated deferred income taxes (ADIT) incremental change from the prior audits for each company.

Table 4: Incremental Change in ADIT from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ (443,087,058)	$ (447,711,028)	$ (4,623,971)
Ohio Edison Company	(524,038,117)	(538,163,075)	(14,124,958)
The Toledo Edison Company	(137,423,190)	(140,998,071)	(3,574,881)
Total	**$ (1,104,548,365)**	**$ (1,126,872,174)**	**$ (22,323,810)**

In Case No. 19-1887-EL-RDR, Blue Ridge found that the total ADIT offset in rate base did not appropriately reflect the EDIT balances resulting from the Tax Cuts and Jobs Act of 2017 (TCJA), as ordered in Case No. 18-1604-EL-UNC. The Companies' disagreed with the finding and the PUCO has yet to decide the issue. The Tax Cuts and Jobs Act Effects subsection of this report discusses the issue in further detail.

Apart from the unresolved EDIT balances, Blue Ridge found the standard ADIT items, resulting from typical book tax differences, consistent with prior filings, related to plant in service, and not unreasonable.

Depreciation Expense

The Rider DCR Compliance Filings include incremental depreciation expense for each company from the prior audit as shown in the following table.

Table 5: Incremental Change in Depreciation Expense from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 105,851,498	$ 108,460,056	$ 2,608,559
Ohio Edison Company	111,354,161	113,668,175	2,314,014
The Toledo Edison Company	41,096,571	41,802,713	706,141
Total	**$ 258,302,230**	**$ 263,930,944**	**$ 5,628,714**

Blue Ridge found that the calculation of depreciation expense was consistent with the methodology used in the last distribution rate case. Blue Ridge verified the mathematical accuracy of the depreciation expense calculations and, with the exception of FERC account 398, found them to be appropriate. CEI account 398 reflects a zero, as opposed to negative, net book value on an actual basis, which indicates the related assets are to be accounted for as though they have a finite life. This treatment and logic are consistent with the Companies' handling of intangible account 309.3. Blue Ridge recommends (1) an adjustment to reduce CEI's annual depreciation expense and (2) the Companies review and rectify the formulas for all amortizing accounts by the next filing date.

The depreciation accrual rates used in the Rider DCR are based upon balances as of May 31, 2007. The Companies updated the depreciation study using plant as of December 31, 2013, and provided the updated study to the Commission Staff on June 1, 2015. Since the last depreciation study was based on balances from eight years ago, Blue Ridge had recommended in the DCR year 2018 audit that the Companies perform a deprecation study. As stipulated in Case No. 16-381-EL-UNC, FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023. The Commission has approved the Stipulation in that case.

PROPERTY TAX EXPENSE

The Rider DCR Compliance Filings include the following incremental property tax expense for each company from the prior audit.

Table 6: Incremental Change in Property Tax Expense from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 113,625,090	$ 117,757,093	$ 4,132,003
Ohio Edison Company	95,504,386	101,682,413	6,178,028
The Toledo Edison Company	33,797,539	33,725,127	(72,412)
Total	**$ 242,927,015**	**$ 253,164,634**	**$ 10,237,619**

Blue Ridge found that the calculation of property tax is not unreasonable. As the Rider DCR uses plant-in-service balances to develop the property tax component of the revenue requirements, any revisions to gross plant should be flowed through the Rider DCR model to ensure the appropriate amount of property tax is included within the DCR.

SERVICE COMPANY

Blue Ridge found nothing that would indicate that Service Company costs included within Rider DCR are unreasonable.

COMMERCIAL ACTIVITY TAX AND INCOME TAXES

The Rider DCR Compliance Filings include the following incremental commercial activity tax (CAT) for each company. The CAT is calculated based on the statutory 0.26 percent.

Table 7: Incremental Change in CAT from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 369,231	$ 392,830	$ 23,599
Ohio Edison Company	385,594	415,056	29,463
The Toledo Edison Company	98,642	100,300	1,658
Total	**$ 853,467**	**$ 908,186**	**$ 54,719**

The Rider DCR Compliance Filings include the following incremental income tax expense for each company.

Table 8: Incremental Change in Income Tax from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 7,078,426	$ 7,432,384	$ 353,958
Ohio Edison Company	8,933,745	9,355,624	421,879
The Toledo Edison Company	1,125,713	1,121,161	(4,553)
Total	**$ 17,137,884**	**$ 17,909,169**	**$ 771,285**

Blue Ridge found that the commercial activity tax and income tax expense were calculated consistently with prior filings and are not unreasonable. Any adjustments discussed in other subsections of this report will impact the final commercial activity tax and income tax included within the Rider DCR.

TAX CUTS AND JOBS ACT EFFECT

In the 2017 DCR Report, Blue Ridge expressed concerns regarding the Companies' treatment of excess accumulated deferred income taxes (EDIT) arising from the Tax Cuts and Jobs Acts (TCJA). Blue Ridge recommended (1) that the amount by which the ADIT balance is revalued is also the amount by which the Companies' must set up a regulatory liability to refund the excess deferred taxes to ratepayers because the tax future obligation to the federal government decreased by 40% and (2) that the Companies apply the average rate assumption method (ARAM) consistent with normalization requirements to update the regulatory liability to address the timing differences for the property reversal.

On November 9, 2018, the Companies filed a Stipulation and Recommendation in Case No. 18-1604-EL-UNC ("Stipulation") which resolved the question about the treatment of the excess deferred income tax balances resulting from the TCJA that was raised by Blue Ridge in the above recommendation. The Companies implemented the Stipulation beginning with the October 1, 2019, Rider DCR Compliance Filing pursuant to an Opinion and Order dated July 17, 2019.

Under the Stipulation, Rider DCR rate base will reflect the gross *normalized* property EDIT balance as of December 31, 2017, and the net *non-normalized* property EDIT balance as of the measurement period.

1) Normalized Property: Amortization of the normalized property EDIT balance in accordance with ARAM and the related cumulative reserve will be accounted for in a new credit mechanism. The cumulative reserve in the credit mechanism will accrue a return in the same manner as Rider DCR to make the Companies whole for the gross normalized property EDIT in Rider DCR rate base.

2) Non-Normalized Property: Amortization of the non-normalized property EDIT balance over 10 years will flow back to customers via the new credit mechanism, while both the gross balance and cumulative reserve will be accounted for in Rider DCR.

The actual amount of the EDIT flowing back to customers will reflect the "final, audited balances" as of December 31, 2017. The treatment of the EDIT balances will commence effective January 1, 2018, and will continue until the balances have been fully amortized.

During the investigation of the 2019 DCR Compliance Filing, Blue Ridge compared the property-related EDIT values to the balances in the Stipulation agreed to by the Parties and approved by the Commission. They did not tie out as they had been expected to. In response to data requests, the Companies presented various adjustments, some of which on net reduce the total liability owed to customers. The Companies' revisions also reflected reclasses between EDIT categories that should have a net-zero impact on the total liability subject to refund, albeit they do impact the period over which the amortizing credits flow back to customers through the new credit mechanism.

When asked if the revised balances were reflected in the TCJA case record and, if not, how the Companies obtained authorization to update the balances, the Companies gave this reply:

> The Stipulation and Recommendation filed in Case No. 18-1656-EL-ATA et al. states that the actual amount of EDIT flowing back to customers will reflect the final, audited balances, including a federal and state tax gross up, as of December 31, 2017. The Companies filed compliance tariffs on July 26, 2019, in Case No. 18-1656-EL-ATA reflecting updated balances.

Blue Ridge found the Companies' response to lack clarity, casting doubt on the actual meaning of "final, audited balances." PricewaterhouseCoopers performed the external audit of the December 31, 2017, financial statements, and they issued an unqualified opinion on February 20, 2018—months prior to the Stipulation, filed on November 9, 2018, as well as the Supplemental Stipulation, filed on January 25, 2019. Since no specific true-up provisions exist in the Stipulation to adjust to the 2017 filed tax returns and other later known variables, Blue Ridge recommends restoring the EDIT balances to reflect those agreed to within the settlement and allowing parties to consider the Company's changes, such as the assertion that there is no EDIT associated with AFUDC equity, within the next Rider TSA annual filing. With respect to the reclass adjustments, Blue Ridge is neutral on their adoption since they have no impact on the total agreed upon liability to be refunded to customers. The EDIT categories with varying amortization periods are judgmental to some extent and an audit opinion would not render such definitional determinations official or correct.

Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. The scope of Blue Ridge's current investigation is limited to the property-related EDIT balances in Rider DCR. Blue Ridge, therefore, has not and cannot validate that the reclass from property to non-property was appropriately reflected in the new credit mechanism.

Thus, the treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property-related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. However, Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated. The appropriate adjustments to revenue requirements have been identified.

RETURN

The Rider DCR Compliance Filings include the following calculated return on rate base at 8.48% for each company.

Table 9: Incremental Change in Return on Rate Base from 11/30/19 to 11/30/20

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 40,052,616	$ 42,010,930	$ 1,958,314
Ohio Edison Company	51,498,355	53,886,806	2,388,451
The Toledo Edison Company	6,442,848	6,449,647	6,799
Total	**$ 97,993,818**	**$ 102,347,382**	**$ 4,353,564**

Although the adjustments discussed in other subsections of this report will affect the final return included within the DCR, Blue Ridge found that the calculation of the return component of the DCR is not unreasonable.

RIDER DCR CALCULATION

The Compliance Filing Summary Schedules pull together the various components allowed within Rider DCR and calculate the revenue requirements based upon the actual November 30, 2020, and estimated February 28, 2021, balances. The Annual Rider DCR Revenue is compared to the Commission-approved Revenue Cap in the Companies' filings.

Although Blue Ridge found that the balances used in the Rider DCR calculations should be adjusted, Blue Ridge found that the Rider DCR revenue requirement calculation is not unreasonable.

The Annual Rider DCR Revenue, through November 30, 2020, is under both the aggregate annual cap and the allocated annual cap by company.

PROJECTIONS

The Compliance Filings include projections for the first two months in 2021. To develop the first quarter 2021 estimates, the Companies used estimated plant-in-service and reserve balances as of February 28, 2021, the most recent (December 2020) forecast from PowerPlan. The estimated February 28, 2021, plant and reserve balances were then adjusted to reflect current assumptions (including project additions and delays), to incorporate recommendations from prior Rider DCR Audit Reports, and to remove the pre-2007 impact of a change in pension accounting.

Blue Ridge found that the projected amounts included through February 2021 are not unreasonable. In addition, the projected amounts will be reconciled to the actual amounts, and the Rider DCR revenue requirement will be adjusted to actual in the next quarter's Rider DCR Compliance Filings.

SUMMARY OF BLUE RIDGE RECOMMENDATIONS

Table 10: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement

Adj #	Description	CEI	OE	TE	Total
	As Filed	**$ 156,461,204**	**$ 164,514,272**	**$ 40,062,907**	**$ 361,038,383**
1	Capitalized Vegetation Management Expense - CECO - Various WO#'s	(1,686,259)	-	-	(1,686,259)
2	Capitalized Vegetation Management Expense - OECO - Various WO#'s	-	(1,025,521)	-	(1,025,521)
3	Capitalized Vegetation Management Expense - TECO - Various WO#'s	-	-	(402,349)	(402,349)
4	AFUDC Over Accrued - OECO - WO# 13300165	-	(31,007)	-	(31,007)
5	AFUDC Over Accrued - OECO - WO# 14431541	-	(11,373)	-	(11,373)
6	AFUDC Over Accrued - TECO - WO# IF-TW-000025-1	-	-	(1,406)	(1,406)
7	LTIP-Stock - CECO, OECO, TECO	(89,959)	(104,226)	(34,414)	(228,599)
8	Retirements Not Recorded - CECO - WO# 15599597	(6)	-	-	(6)
9	Retirements Not Recorded - OECO - WO# IF-OE-000135-1	-	(792)	-	(792)
10	Retirements Not Recorded - OECO - WO# IF-OE-000131-1	-	(29,541)	-	(29,541)
11	Retirements Not Recorded - OECO - WO# IF-OE-000132-1	-	2,383	-	2,383
12	Retirements Not Recorded - OECO - WO# IF-OE-000136-1	-	(740)	-	(740)
13	Retirements Not Recorded - OECO - WO# IF-OE-000137-1	-	(429)	-	(429)
14	Retirements Not Recorded - OECO - WO# IF-SC-000247-1	-	(1,582)	-	(1,582)
15	Retirements Not Recorded - CECO - WO# 14861458	(52,688)	-	-	(52,688)
16	Retirements Not Recorded - CECO - WO# CE-001603-DO-MSTM	(23,726)	-	-	(23,726)
17	Retirements Not Recorded - OECO - WO# 16616511	-	(156)	-	(156)
18	Retirements Not Recorded - TECO - WO# 15776111	-	-	(2,821)	(2,821)
19	Retirements Not Recorded - TECO - WO# 15997031	-	-	(537)	(537)
20	Depreciation on Fully Amortized Assets - CECO	(4,158)	-	-	(4,158)
21	Regulatory Liability TCJA - CECO	(795,662)	-	-	(795,662)
22	Regulatory Liability TCJA - OECO	-	(1,331,512)	-	(1,331,512)
23	Regulatory Liability TCJA - TECO	-	-	(158,722)	(158,722)
24	Capitalized MARCs User Radio Fees - CECO - WO# CE-00827-TQ	(9,813)	-	-	(9,813)
	Impact of All Adjustments	**(2,662,272)**	**(2,534,496)**	**(600,249)**	**(5,797,016)**
	Recommended Rider DCR Revenue Requirements	**$ 153,798,932**	**$ 161,979,776**	**$ 39,462,659**	**$ 355,241,367**

For the DCR Year 2020 assessment, Blue Ridge summarizes its adjustments as follows:

Adjustment #1: Blue Ridge recommends that capital costs associated with certain vegetation management capital cost codes be disallowed because they do not conform to FERC accounting. Blue Ridge has estimated the impact to the current DCR revenue requirements for CEI to be $(1,686,259).

Adjustment #2: Blue Ridge recommends that capital costs associated with certain vegetation management capital cost codes be disallowed because they do not conform to FERC accounting. Blue Ridge has estimated the impact to the current DCR revenue requirements for OE to be $(1,025,521).

Adjustment #3: Blue Ridge recommends that capital costs associated with certain vegetation management capital cost codes be disallowed because they do not conform to FERC accounting. Blue Ridge has estimated the impact to the current DCR revenue requirements for TE to be $(402,349).

Adjustment #4: Blue Ridge found OE work order 13300165 was not closed timely after the work was complete. Blue Ridge has estimated the impact to the current DCR revenue requirements to be $(31,007).

Adjustment #5: Blue Ridge found OE work order 14431541 was not closed timely after the work was complete. Blue Ridge has estimated the impact to the current DCR revenue requirements to be $(11,373).

Adjustment #6: Blue Ridge found TE work order IF-TW-000025-1 was not closed timely after the work was complete. Blue Ridge has estimated the impact to the current DCR revenue requirements to be $(1,406).

Adjustment #7: Blue Ridge found that the Companies included LTIP compensation in the DCR. Due to the LTIP's focus on shareholder interest (which can be detrimental to customers), Blue Ridge recommends that all the costs of the LTIP included in Rider DCR be removed. Removing the LTIP costs results in a total DCR revenue requirement impact of $(228,599).

Adjustment #8: Replacement of assets in which retirements had not been recorded. CE work order 15599597 would impact the revenue requirements by $(6).

Adjustment #9: Replacement of assets in which retirements had not been recorded. OE work order 000131-1 would impact the revenue requirements by $(792).

Adjustment #10: Replacement of assets in which retirements had not been recorded. OE work order 000132-1 would impact the revenue requirements by $(29,541).

Adjustment #11: Replacement of assets in which retirements had not been recorded. OE work order 000135-1 would impact the revenue requirements by $2,383.

Adjustment #12: Replacement of assets in which retirements had not been recorded. OE work order 000136-1 would impact the revenue requirements by $(740).

Adjustment #13: Replacement of assets in which retirements had not been recorded. OE work order 000137-1 would impact the revenue requirements by $(429).

Adjustment #14: Replacement of assets in which retirements had not been recorded. OE work order 000247-1 would impact the revenue requirements by $(1,582).

Adjustment #15: Replacement of assets in which retirements had not been recorded. CE work order 14861458 would impact the revenue requirements by $(52,688).

Adjustment #16: Replacement of assets in which retirements had not been recorded. CE work order 001603 would impact the revenue requirements by $(23,726).

Adjustment #17: Replacement of assets in which retirements had not been recorded. OE work order 16616511 would impact the revenue requirements by $(156).

Adjustment #18: Replacement of assets in which retirements had not been recorded. TE work order 15776111 would impact the revenue requirements by $(2,281).

Adjustment #19: Replacement of assets in which retirements had not been recorded. TE work order 15997031 would impact the revenue requirements by $(537).

Adjustment #20: CEI FERC account 398 reflects a zero, as opposed to negative, net book value on an actual basis, which indicates the related assets are to be accounted for as though they have a finite life. This treatment and logic are consistent with the Companies' handling of intangible account FERC 309.3. Blue Ridge recommends (1) an adjustment to reduce CEI's annual depreciation expense by $4,147 and (2) the Companies review and rectify the formulas for all amortizing accounts by the next filing date. The adjustment has an effect on revenue requirements of $(4,158).

Adjustment #21: The treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated. The CE adjustment would impact revenue requirements by $(795,662).

Adjustment #22: The treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated. The OE adjustment would impact revenue requirements by $(1,331,512).

Adjustment #23: The treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated. The TE adjustment would impact revenue requirements by $(158,722).

Adjustment #24: Work Order CE-000827 had an in-service date prior to the scope period. In September 2020 an adjustment was made to reverse charges representing MARCs Radio user fees that had been incorrectly capitalized up until September 2020. The charges were adjusted off the project and into operations expense. The adjustment was $(610,734) offset by invoice charges during the period of $198,063. The MARCs Radio user fees have been capitalized and included in the DCR since May 2018. The Companies adjustment to the Rider DCR revenue requirement will be included in a future Rider DCR filing for the cumulative revenue requirement impact. Blue Ridge has estimated the impact to the current DCR revenue requirement to be $(9,813). The total estimated CE DCR quarterly revenue requirement impact is $(134,947).

Beyond the above adjustments, for the DCR Year 2020 assessment, Blue Ridge summarizes its recommendations as follows:

Recommendation #1: In review of Sarbanes-Oxley audits, Blue Ridge found one audit with a significant finding related to the payment of invoices through the non-purchase order process without valid contracts. The payment authority control was circumvented. Remediation testing on this issue is not yet complete, and this issue could have implications related to the DCR. Blue Ridge recommends that once the remediation testing is complete that the results be reviewed in the next DCR audit.

Recommendation #2: Absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Recommendation #3: During work order testing, Blue Ridge found 10 work orders, or 29% of the work orders that had estimates and 16% of the total work orders, had incomplete work order unit estimates that resulted in those work orders not being able to close to Completed Construction Not Classified (CCNC). This appears to be incomplete project estimates. The controls in place related to moving dollars from Construction Work in Progress (CWIP) to CCNC properly blocked the work orders from closing. None of the work orders appear to be blankets. They all are specific work orders. Since the work orders are declared in service, over accrual of AFDUC is not an issue. This issue appears to be one of process. Blue Ridge recommends that the Companies determine why the estimates were incomplete and lacked utility accounts and what can be done to mitigate this type of error in the future. Not closing the work orders to CCNC timely also delays the possibility of unitizing the work orders and increases the work order backlog.

Recommendation #4: Blue Ridge found that several work orders within the scope period did not have retirements and/or cost of removal recorded. Blue Ridge recommends that the DCR revenue requirements be adjusted to reflect the retirements and COR that were not recorded on in-serviced work orders as of December 31, 2020. As the delays in recording retirements and cost of removal is a timing issue, we recognize that the effect on the DCR revenue requirements is self-correcting. However, to ensure that the DCR revenue requirements reflects the recording of retirements, we recommend that the Companies demonstrate in the next audit how those retirements and COR included in this report were individually adjusted for the DCR revenue requirement.

Recommendation #5: For several work orders that Blue Ridge found were significantly over budget, the Companies explained their variances as due to competitive bidding and the fact that Overheads and AFUDC were not included in the original budget. While Blue Ridge understands that AFUDC and overheads may or may not be included in the original estimates, which may depend on the nature of the work order, the management of costs resides primarily with each Project Manager. Therefore, Blue Ridge recommends that the project managers make a more concerted effort to monitor total project costs to ensure the project costs remain in line with the total project cost estimate.

Recommendation #6: Blue Ridge recommends that the Companies continue to reduce the volume of backlog work orders, both in quantity and dollar value, to return to the 2018 level.

OVERVIEW OF INVESTIGATION

The FirstEnergy Service Company, on behalf of the three Ohio-regulated operating companies—The Cleveland Electric Illuminating Company (CE, CEI, or CECO), Ohio Edison Company (OE or OECO), and The Toledo Edison Company (TE or TECO), collectively referred to as "FirstEnergy" or "Companies"—prepared and submitted Compliance Filings regarding the Commission-approved Delivery Capital Recovery (DCR) Rider for actual plant in service through November 30, 2020, and estimated plant in service through February 28, 2021. Blue Ridge Consulting Services, Inc. ("Blue Ridge") was retained to perform a compliance audit of the filings.

BACKGROUND

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer (SSO) consisting of either a market rate offer (MRO) or an electric security plan (ESP). The ESP was originally established in Case No. 08-935-EL-SSO (ESP I). Subsequently, in Case No. 10-388- EL-SSO (ESP II), an original stipulation and two supplemental stipulations (collectively, the Combined Stipulation) were entered into by a majority of the parties, and, after a hearing, the Commission issued an Opinion and Order approving the Combined Stipulation in its entirety with several modifications.

As part of its Opinion and Order approving the Combined Stipulation in ESP II, the Commission approved the establishment of the Delivery Capital Recovery (DCR) Rider, effective January 1, 2012, to be updated and reconciled quarterly. The Opinion and Order allowed the Companies the opportunity to recover property taxes, Commercial Activity Tax, and associated income taxes and to earn a return on and of plant in service associated with distribution, subtransmission, general, and intangible plant, including allocated general plant from FirstEnergy Service Company, which was not included in the rate base determined in the Opinion and Order of January 21, 2009, in Case No. 07-551-EL-AIR (last concluded rate case).

In Case No. 12-1230-EL-SSO (ESP III), the Commission approved the extension of the Combined Stipulation through May 31, 2016. Most recently, in Case No. 14-1297-EL-SSO (ESP IV), the Commission approved the ESP through May 31, 2024. In that case, the Companies agreed to continue the Delivery Capital Recovery (DCR) Rider under the same terms and conditions as before (including the annual audit), with modifications related to the continuation of the process through May 31, 2024, and to increase annual revenue caps. Annual revenue cap increases are stipulated as $30 million for the period of June 1, 2016, through May 31, 2019; $20 million for the period of June 1, 2019, through May 31, 2022; and $15 million for the period of June 1, 2022, through May 31, 2024.

The Commission ordered an annual audit review of its Rider DCR for the purpose of determining whether the amounts for which recovery is sought are not unreasonable in light of the facts and circumstances known to the Companies at the time such expenditures were committed. The agreement also stipulated that, at the Commission's discretion, either an independent third-party auditor or the Commission's Staff would conduct the annual audit review.

The Commission's Request for Proposal (RFP) sought proposals to audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR since the Companies' last Rider DCR Compliance Audit. Blue Ridge submitted a proposal and was selected to perform the 2020 compliance audit. Blue Ridge also performed the 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 Rider DCR compliance audits, covering plant in service since the last distribution rate case (those audits covered June 1, 2007, through November 30, 2019).

Excerpts of the Rider DCR provisions within the Opinion and Orders and Combined Stipulation are included within Appendix A. Appendix B contains a list of abbreviations and acronyms used within this report.

PURPOSE OF PROJECT

As defined in the RFP, the project includes the following purposes:

- Determine if FirstEnergy has implemented its Commission-approved DCR Rider and is in compliance with the Combined Stipulation agreement set forth in Case No. 14-1297-EL-SSO.
- Audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR with regard to the return earned on plant in service since the Companies' last Rider DCR Compliance Audit.
- Identify capital additions recovered through Riders LEX, EDR, and AMI, and any other subsequent rider authorized by the Commission to recover delivery-related capital additions to ensure they are excluded from Rider DCR.
- Identify, quantify, and explain any significant net plant increase within individual accounts.

PROJECT SCOPE

The audit as defined in the RFP will address the following project scope:

- Obtain and review all additions, retirements, transfers, and adjustments to current date value of plant in service that have occurred for the actual year ending November 30, 2020. This will be included in the December 31, 2020, quarterly filing. An effort shall be made to include within the review the plant balances as of December 31, 2020.
- Obtain and review all appropriate documentation relating to the Companies' compliance with the Commission-approved DCR Rider.
- Review the Companies 2020 internal audits concerning controls which would affect the DCR.
- Obtain and review all appropriate documentation relating to compliance with Findings in the Commission's Finding and Order in Case Nos. 14-1929-EL-RDR and 15-1739-EL-RDR. The audit shall also review all appropriate documentation relating to the issues identified in the Auditor's Reports in Case Numbers 16-2041-EL-RDR, 17-2009-EL-RDR, 18-1542-EL-RDR, and 19-1887-EL-RDR to determine if the issues raised have been addressed pursuant to the Auditor's recommendation, and if not, the impact of the Companies not addressing the identified concerns.

AUDIT STANDARD

Blue Ridge used the following standard during the course of the audit: "The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable. The determination of whether the amounts for which recovery is sought are not unreasonable shall be determined in light of the facts and circumstances known to the Companies at the time such expenditures were committed."[1]

INFORMATION REVIEWED

Blue Ridge reviewed the following information outlined in the RFP:

- Case Nos. 20-1468-EL-RDR, 20-1469-EL-RDR, and 20-1470-EL-RDR filings
- Case Nos. 10-388-EL-SSO, 12-1230-EL-SSO, and 14-1297-EL-SSO and related stipulation agreements
- Case Nos. 11-5428-EL-RDR, 12-2855-EL-RDR, 13-2100-EL-RDR, 14-1929-EL-RDR, 15-1739-EL-RDR, 16-2041-EL-RDR, 17-2009-EL-RDR, 18-1542-EL-RDR, and 19-1887-EL-RDR Compliance Audits of the DCR Rider
- Applicable testimony and workpapers
- All appropriate documentation relating to compliance with Findings in the Commission's Finding and Order in Case Nos. and contained in the Stipulation in Case Nos. 14-1929-EL-RDR and 15-1739-EL-RDR and relating to the issues identified in the Auditor's Reports in Case Nos. 16-2041-EL-RDR, 17-2009-EL-RDR, 18-1542-EL-RDR, and 19-1887-EL-RDR

During the audit process, Blue Ridge requested and was provided additional information. A list of the data requested is included as Appendix C. Electronic copies of the information obtained was provided to Staff.

RIDER DCR COMPLIANCE FILINGS REVIEWED

On January 5, 2021, the Companies filed various schedules, bill impacts, and tariff pages that provide the detailed calculations related to plant in service, accumulated depreciation reserve, income taxes, commercial activity taxes, property taxes, rate base, depreciation expense, and the resulting revenue requirement related to the Rider DCR. These schedules included actual amounts through November 30, 2020, and projected balances for the three months ended February 28, 2021.

The following table summarizes Rider DCR Revenue Requirements requested by each of the FirstEnergy operating companies.

Table 11: Rider DCR Revenue Requirements Actual 11/30/20 and Projected 2/28/21[2]

Operating Company	Revenue Requirements		
	Actual 11/30/20	Projected 2/28/21	Total
The Cleveland Electric Illuminating Company	$ 151,088,293	$ 5,372,911	$ 156,461,204
Ohio Edison Company	159,637,074	4,877,198	164,514,272
The Toledo Edison Company	38,576,948	1,485,960	40,062,907
Total	**$ 349,302,315**	**$ 11,736,069**	**$ 361,038,383**

[1] Case No. 10-0388-EL-SSO Second Supplemental Stipulation, July 22, 2010, page 4.
[2] WP V&V FE DCR Compliance Filing 1.5.2021—Confidential.

Variance Analyses, Transactional Testing, and Other Analyses

To identify, quantify, and explain any significant net plant increases within the individual accounts, Blue Ridge performed account variance analyses. The Companies were asked to explain any significant changes. The results of the analyses are included under the subsection labeled Variance Analysis.

In addition, Blue Ridge selected a sample from the population of work orders that support the gross plant in service for detailed transactional testing. The sample was selected using a statistically valid sampling technique. Additional work orders were selected based on professional judgment. The results of the transactional testing are included in the subsection labeled Gross Plant in Service. Blue Ridge also selected several projects for field verification to determine whether the assets have been installed according to the work order scope and description and whether they are used and useful in rendering service to the customer.

Blue Ridge also performed various analyses, including mathematical verifications and source data validation, of the schedules that support the Rider DCR Compliance Filings. The report addresses each component of the Rider DCR, and the results of these analyses are included within each component's subsection.

A list of Blue Ridge's workpapers is included in Appendix D. Electronic copies were provided to the Staff of the Public Utilities Commission of Ohio and the Companies.

STATUS OF RECOMMENDATIONS OF PRIOR COMPLIANCE AUDITS

- Review the Companies' compliance and status of Commission findings and orders (including DCR Audit report recommendations) in prior cases.

Blue Ridge performed the Rider DCR compliance audits for DCR years 2016, 2017, 2018, and 2019, covering the periods from December 1 to November 30 of each year. The Commission has recently ruled, finding in favor of Blue Ridge's recommendations regarding the Companies'activity regarding DCR years 2016 and 2017, but the PUCO has not yet ruled in regard to DCR years 2018 and 2019.[3] The recommendations for each year are included in Appendix A of this report. FirstEnergy's responses to the recommendations and Blue Ridge's comments on the Companies' responses for Case Nos. 16-2041-EL-RDR, 17-2009-EL-RDR, and 18-1542-EL-RDR may be found in the DCR compliance audit reports for those years.

The DCR compliance audit that covered capital additions from December 1, 2018, through November 30, 2019, included several findings and recommendations and was filed in Case No. 19-1887-EL-RDR. Regarding adjustments, the Companies have accepted the first nine adjustments Blue Ridge recommended.[4] Adjustments #10 through #14, which regard Vegetation Management and Excess Deferred Income Taxes (EDIT), are addressed in the recommendations listed below. Following each recommendation is FirstEnergy's response regarding the recommendation's status[5] and Blue Ridge's associated comments based upon observations from this compliance audit.

1. Recommendation 1, 2019 DCR Report, pp. 24–25, *Internal Audits*: Based on recommendation 5 of the 2018 DCR Report, an internal audit that had not yet completed at the time the audit report was issued was recommended for review in the current audit after completion. That internal audit related to CREWS Modernization Pre-Implementation has not yet concluded. Blue Ridge continues to recommend that the internal audit results be reviewed by the DCR auditors when they become available.

   <u>FirstEnergy Response</u>: Assessment of the CREWS Modernization Pre-Implementation was completed by the Companies' external auditor, PwC, and reviewed by internal auditors. It noted no significant findings.

   <u>Blue Ridge Comments</u>: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

2. Recommendation 2, 2019 DCR Report, pp. 40–41, 42, and 62, *Vegetation Management (VM)*: In both the 2017 DCR Audit and the 2018 DCR Audit, Blue Ridge had recommended that the vegetation management costs charged to the DCR associated with capital task codes 05, 36, 14, and 30 be excluded from the DCR due to the Companies policy "Accounting for the Clearing of Transmission and Distribution Corridors" being in conflict with FERC accounting requirements. In both those audits, after reviewing the treatment of those costs in Rider DCR, the Companies disagreed with Blue Ridge, believing their inclusion was appropriate. In the current audit, Blue Ridge expanded the review of VM to include detail that supports selected

[3] Case Nos. 16-2041-EL-RDR and 17-2009-EL-RDR Commission Finding and Order, June 16, 2021.
[4] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-9—Confidential.
[5] All FirstEnergy status remarks are obtained from FirstEnergy's response to 2021 Data Request BRC Set 1-INT-9—Confidential.

contractor charges to determine whether the Companies have sufficient documentation to support the inclusion of charges as capital in the DCR. The review was also intended to check whether the Companies are following their stated policies for time sheet field activity verification and if those policies are adequate to support the inclusion of VM charges to capital. In Blue Ridge's opinion, the Companies did not provide sufficient detailed documentation to support the inclusion of capital charges in the DCR or to support verification of work according to current VM policies. Review of the VM issue in the prior DCR audits and the current one focused on the specific task codes designated for capital work. Therefore, regarding VM, Blue Ridge includes the following recommendations for the current audit:

a. Blue Ridge recommends that the Companies supplement their VM policies and procedures to provide more detail in support of the time sheet task codes used by contractors. The form of that support can be schematics, drawings, or pictures. A simple method would be to take a before and after picture in support of work performed and charged to the above-mentioned task codes.
b. Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how VM costs should be recorded (capital versus expense) that is created based on how those costs are recovered.
c. Absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

<u>FirstEnergy Response</u>: As provided in the Comments filed 7/27/2020 in Case No. 19-1887-EL-RDR, the Companies believe, "The capitalization of certain vegetation management expenditures is consistent with the Companies' longstanding accounting policy and is fully within the Commission's discretion to approve."

<u>Blue Ridge Comments</u>: In accordance with the ruling in Case No. 17-2009-EL-RDR, Blue Ridge continues to believe that the Companies' vegetation management policies and processes are in conflict with FERC Uniform System of Accounts. As ordered in that case, the Companies were instructed to implement the recommendations set forth in the 2017 Audit Report, which includes adjusting its current accounting policy regarding the capitalization of certain clearing activities. Therefore, Blue Ridge continues to recommend that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

3. Recommendation 3, 2019 DCR Report, p. 66, *Cost Overruns 15% and Greater*: Blue Ridge recommends that the Companies further enhance and refine their project estimating process.

<u>FirstEnergy Response</u>: The Companies continue to review and enhance their project estimating process, including actions taken in 2020.

In 2020, CEI put a Portfolio Control Process in place that will enhance controls on spending and lend additional visibility prior to the jobs being released to the field. The process brings financial discipline and enhanced business planning by requiring a Change Management Approval Form to be created and approved by leadership when a project that is >$20K has:

- Budget Variances > 10%
- Schedule Deferral
- Labor Source Changes

- Scope Changes

OE has had a Control Process similar to CEI's in place prior to 2020. In 2020, OE created a process to work with the Companies' Economic Development group to identify new business to include in the forecast. If there is a high probability that these jobs will occur, then there will be a specific RPA added to the forecast.

In 2020, TE continued to monitor its process for approving scope changes on projects. If a project in TE is changed in scope and dollars, approval is required from the engineering manager and additional approval may be required from the director.

Blue Ridge Comments: Blue Ridge found that the Companies' changes demonstrate enhancement and refinement of the project estimating process, which should be continued.

4. Recommendation 4, 2019 DCR Report, p. 81, *Cost Categories*: Blue Ridge recommends that, since the software capitalization process by which fees between capital and maintenance are split is activated by a vendor which is not an independent source of information, Internal Audit should review the process to determine that the split of charges between capital and expense is not unreasonable.

FirstEnergy *INITIAL* Response: In 2020, Internal Auditing continued to review the Companies' capitalization process, including software expenditures, through audits and SOX controls. Internal Auditing regularly performs audits of capital and operation and maintenance (O&M) expenses, and the Companies have documented various policies to ensure accounting for expenditures (e.g., capital or expense) are appropriate and in compliance with generally accepted accounting principles. These audits verify the appropriateness of capital or O&M expenditures accounting through substantive testing of system data and to confirm compliance with the Companies' capitalization policies. In general, capital expenditures which result in additions or improvements of a permanent character, which add value to property, should be capitalized. Ordinary repairs and replacements of parts of a unit of property should be expensed. Also, there are various Sarbanes-Oxley (SOX) controls relating to the capitalization of expenditures, and testing of such controls is performed as part of the Companies' SOX compliance program.

Blue Ridge *INITIAL* Comments: Blue Ridge recognizes that GAAP has specific accounting for the four phases of software projects which determines what is capital and expense. The recommendation refers specifically to how the vendor fees are determined to be capital or expense. Since the software vendors work for, and are paid by, the Company, the Company has some leverage when it comes to negotiating this area. Vendor fees can be substantial, and therefore their disposition can be material. Blue Ridge requested clarification concerning (1) whether the split of vendor fees between capital and expense determined were determined in the same manner as the project stages, (2) the actual determination if not based on the project stages, and (3) whether the split of vendor fees between capital and O&M was audited by the Companies' Internal Auditing.[6]

FirstEnergy *SUPPLEMENTAL* Response: The Companies responded regarding the three clarification items noted above:

[6] FirstEnergy's response to 2020 audit Data Request BRC Set 5-INT-01.

(1) The split of vendor fees between capital and expense is not determined in the same manner as the project stages.

(2) Per its software capitalization policy, FirstEnergy capitalizes a portion of annual maintenance contracts based on the percentage of the fee that is for new product development and existing product enhancements, as determined by the vendor through a survey response. When the vendor of a product with significant annual costs is unwilling to provide a survey response, an analysis of internal product upgrade implementations is performed in order to arrive at a capital and O&M split percentage that serves as a proxy for the unavailable vendor cost splitting percentages.

(3) The split of vendor fees between capital and O&M had not been audited by the Companies' Internal Auditing. However, as part of the Capital and O&M Internal Audit to be performed in 2022, an objective will be added to evaluate software vendor fees for proper capitalization. Additionally, FirstEnergy's outside auditor's regular review of Property Plant and Equipment includes testing over software capitalization work orders, including the split of capital and O&M for vendor fees, and no major issues have been identified.

Blue Ridge *SUPPLEMENTAL* Comments: Blue Ridge acknowledges the Companies' response that it plans to add an objective to evaluate software vendor fees for proper capitalization to its next internal audit of Capital and O&M scheduled for 2022. Based on our review of the Companies' response during this year's audit, Blue Ridge recommends that, because by its nature an internal audit is limited to specifics of what is reviewed (rather than an on-going year-after-year audit process), the Companies should create a documented process (e.g., checklist) by which the Companies or the vendor (as described in (2) above) determine the split between capital and expense. That document, then, would be subject to Internal Audit review of the capital/expense split in vendor costs.

5. Recommendation 5, 2019 DCR Report, p.82, *Work Orders in Service but not Unitized*: Blue Ridge found five work orders that, as of November 30, 2019, were in-service, but not unitized. The Companies stated that they will be manually unitized and the retirement will be recorded at the time of unitization. At that time, retirement estimates are reviewed, assets are identified, and the appropriate retirements are booked. While Utility Plant in Service was overstated as of November 30, 2019, by the retirement amounts not recorded, the Companies were unable to provide a retirement estimate prior to unitization. The Companies stated, and Blue Ridge recommends, that an adjustment be made to the Rider DCR revenue requirement in a future Rider DCR filing to reflect the retirements when the actual amount is known.

   FirstEnergy Response: An adjustment for the cumulative revenue requirement impact was included in the Companies' January 5, 2021, Rider DCR Compliance filing. See BRC Set 1-INT-009 Attachment 1 Confidential.

   Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

6. Recommendation 6, 2019 DCR Report, p. 89, *Work Order Backlog*: Blue Ridge recommends that the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value.

   FirstEnergy Response: The Companies continue to work on reducing the volume of backlog work orders. See response to BRC Set 1-INT-037 and BRC Set 1-INT-038, which shows the current volume of backlog. The current backlog shows a 29% decrease in work orders and 15% decrease on the balance from the previous year.

Blue Ridge Comments: Blue Ridge found that the Companies have made a concerted effort to reduce the volume of backlog work orders. However, as stated in Blue Ridge's recommendation for this year's audit, the Companies should continue to work on reducing the volume of backlog work orders, both in quantity and dollar value, to return to the 2018 level.

7. Recommendation 7, 2019 DCR Report, p. 94, *Depreciation Expense*: In verifying the mathematical accuracy of the depreciation expense calculations, Blue Ridge found that CEI and OE stopped depreciating FERC account 390.3—Leasehold Improvements on an actual basis in recognition that the leasehold improvements had been fully amortized. However, the Companies continued to accrue depreciation in account 390.3 on an estimated basis. This action was incorrect; however, no adjustment is necessary since the estimated expense was corrected through the normal reconciliation process in the Companies' April 2, 2020, Rider DCR Compliance Filing. Blue Ridge recommends that the Companies rectify the inconsistent formula between actual and estimated calculation by the next filing date.

   FirstEnergy Response: The Companies have corrected the inconsistent formula between actual and estimated depreciation calculation for account 390.3. See the Companies' January 5, 2021 Rider DCR Compliance Filing.

   Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

8. Recommendation 8, 2019 DCR Report, p. 104, *EDIT*: Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation.

   FirstEnergy Response: As provided in the Comments filed 7/27/2020 in Case No. 19-1887-EL-RDR, the Companies believe, "The Companies' December 31, 2017, EDIT balances reflected in Rider DCR match the implementation filing for the Tax Cuts and Jobs Act of 2017 and are consistent with the terms of the Stipulation and Recommendation approved by the Commission on July 17, 2019, in Case No. 18-1604-EL-UNC ("Stipulation")."

   Blue Ridge Comments: The issue remains before the Commission awaiting a decision.

FINDINGS AND RECOMMENDATIONS

- Determine if the Companies implemented their Commission-approved DCR Rider and if the Companies are in compliance with the Combined Stipulation agreement set forth in the Opinion and Order issued in Case No. 14-1297-EL-SSO et al.

The purpose of the audit is to determine whether the Companies implemented their Commission-approved Rider DCR and whether the Companies are in compliance with the Combined Stipulation agreement set forth in the Opinion and Order issued in Case No. 14-1297-EL-SSO. This section begins with an overview of the process and control policies and procedures that affect the plant balances and expense categories that feed into the Rider DCR calculations. The section also includes various variance analyses and provides the reviews of any significant changes in net plant by individual FERC account. In addition, the subsection labeled "Gross Plant in Service" contains the results of the transactional testing and field verification.

Each component of Rider DCR is investigated separately. The specific exclusions are addressed in Riders LEX, EDR, AMI, and General Exclusions and are followed by our analysis of gross plant in service; accumulated reserve for depreciation; accumulated deferred income taxes; depreciation expense; property tax expense; allocated Service Company; Commercial Activity Tax (CAT) and income taxes; and the return component. The report concludes with a review of the calculation of revenue requirements, followed by a review of the projections for the first quarter 2020.

Authority to Recover Components of Rider DCR

Blue Ridge reviewed the Commission Opinion and Order in Case No. 10-388-EL-SSO, dated August 25, 2010, the Combined Stipulation, and the Rider DCR relevant testimony and hearing transcripts. The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (as modified and reaffirmed in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO[7]) provide the authority for what should be included within Rider DCR. The Combined Stipulation includes this direction in Section B.2:

> Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant including allocated general plant from FirstEnergy Service Company that supports the Companies, which was not included in the rate base determined in the Opinion and Order of January 21, 2009 in Case No. 07-551-EL-AIR et al. ("last distribution rate case").[8]
>
> The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth

[7] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[8] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.

> in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case.[9]
>
> The filing shall show the Plant in Service account balances and accumulated depreciation reserve balances compared to that approved in the last distribution rate case. The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case. Net capital additions for Plant in Service for General Plant shall be included in the DCR so long as there are no net job losses at the Companies as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. For each account title the Companies shall provide the plant in service and accumulated depreciation reserve for the period prior to the adjustment period as well as during the adjustment period. The filing shall also include a detailed calculation of the depreciation expense and accumulated depreciation impact as a result of the capital additions. The Companies will provide the information on an individual Company basis.[10]

PROCESSES AND CONTROLS

- Review and update the processes and controls identified during the last audit that affect the costs in Rider DCR to validate that FirstEnergy exhibits reasonable management practices associated with the investment funded by Rider DCR.
- Review the Companies' internal audits and SOX compliance which would affect Rider DCR.

Blue Ridge did not perform a management audit but did review FirstEnergy's processes and controls to ensure that they were sufficient so as not to adversely affect the costs in Rider DCR. Beginning from a basis of last year's review of the 2019 FirstEnergy Rider DCR processes and controls, Blue Ridge reviewed documents relied upon for that audit, supplemented with changes to those processes and controls that the Companies have made since that audit. Based on the documents reviewed, Blue Ridge was able to update its understanding of the Companies' processes and controls that affect each of the plant balances and expense categories within Rider DCR. Blue Ridge concluded that FirstEnergy exhibits reasonable management practices associated with the investment funded by Rider DCR. Our only concern relates to vegetation management, discussed later in this section. Furthermore, by reviewing internal audit reports conducted on various areas of the Companies' operations, Blue Ridge found that the Companies have processes in place to evaluate whether cost controls were adequate and that no significant internal control deficiencies noted in the internal audits resulted in a diminished view of the Companies preparation or costs included in the DCR.

The following is a summary of the areas Blue Ridge reviewed.

[9] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[10] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 15.

Policies and Procedures

Blue Ridge reacquainted itself with the policies, procedures, and process flow diagrams associated with the various processes that affect the categories that feed into the Rider DCR calculations. Furthermore, we requested post-2019 modifications to those policies, procedures, and/or process flow diagrams to determine whether any concerns were raised in connection to the impact of those changes on the Rider DCR calculations. As mentioned under recommendation 3 in section Status of Recommendations of Prior Compliance Audits, in 2020, CEI put a Portfolio Control Process in place that will enhance controls on spending and lend additional visibility prior to the jobs being released to the field. Other than that, an additional retirement unit added in 2020, and some minor enhancements to the Enterprise Sourcing of Materials and Services procedure, the Companies stated that no significant changes to procedures or policies were incorporated in 2020.[11]

The policies, procedures, and process flow diagrams reviewed related to the following areas:

1. Plant Account
    a. Capitalization
    b. Preparation and approval of work orders
    c. Recording of CWIP including the systems that feed the CWIP trial balance
    d. Application of AFUDC
    e. Recording and closing of additions, retirements, cost of removal, and salvage in plant
    f. Unitization process based on the retirement unit catalog
    g. Application of depreciation
    h. Contributions in Aid of Construction (CIAC)
2. Purchasing/Procurement
3. Accounts Payable/Disbursements
4. Accounting/Journal Entries
5. Payroll (direct charged and allocated to plant)
6. Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)
7. Insurance Recovery
8. Property Taxes
9. Service Company Allocations
10. Budgeting/Projections
11. IT Projects

As a result of our review, Blue Ridge notes the following regarding processes that affect the Rider DCR.

Capitalization (1.a above); Plant Assets, including CWIP, Unitization, and Depreciation (1.c, 1.e, 1.f, 1.g); Accounting Entries, including Accounts Payable and Payroll (3, 4, 5)[12]

The Companies regard Capitalization as the procedure by which the total value of a capital asset of specified qualifications is assigned to its Balance Sheet classification of "Property, Plant and Equipment." This value is expensed to the Income Statement over its expected life by means of

[11] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-011.
[12] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a, Attachment 1, Capitalization Policy—Confidential.

depreciation expense. Specifically, the Capitalization policy states, "Costs which result in additions or improvements of a permanent character which add value to the property shall be capitalized if a) the useful life is greater than one year and b) costs are greater than $1,000 (excluding computer software). Computer software shall be capitalized for costs greater than $5,000. . . . All other costs shall be expensed."[13]

The Capitalization Policy also holds the relevant policies for plant additions, retirements, removal cost, and salvage applicable to Rider DCR. The policy provides the qualifications for capital additions, which include extensions, enlargements, expansions, or replacements made to an existing asset. Once an asset is capitalized, the Companies track it using the Continuing Property Records (CPR). This CPR is a PowerPlan[14] ledger that contains a full audit trail for all plant transactions (additions, retirements, adjustments, inter and intra company transfers, etc.). Retirements (classified as such according to specific criteria) are accounted for by crediting their original cost to its plant account. The Retirement Unit Catalog is a listing within PowerPlant of all retirement units. Based on a specific set of criteria, these units are identified as retirement units to differentiate between replacements or additions chargeable to plant accounts (capital) and those chargeable to maintenance accounts (expense).

Construction work in process (CWIP) is the account to which capitalized costs are charged during the construction phase. Following construction, when the asset is ready to be placed into service, the cost is transferred to the completed construction not classified account (CCNC). Finally, after unitization, the asset is transferred to electric plant in service (EPIS).

FirstEnergy indicated that the retirement unit Safety Demonstration Equipment was added to Capitalization in 2020. No other significant procedural or policy changes occurred in 2020.[15]

Preparation and Approval of Work Orders[16]

Blue Ridge had reviewed both the Work Management Process flow diagram as well as the CREWS (Customer Request Work Scheduling System) Work Request Type Narratives. Elements such as project size and contractor involvement affect the process for managing the work. According to the CR (Customer Request) in the CREWS name, the system would seemingly include only work specifically initiated by request of customers. However, the system does include routine preventive and corrective maintenance as well.

The CREWS Work Request Type Narratives categorize work based on area (e.g., Distribution, Forestry, Meter, Substation) and then by more specific activity within those categories.

[13] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a, Attachment 1, Capitalization Policy—Confidential.
[14] "PowerPlan" is a commercially available computer software application used in plant accounting.
[15] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-011 and 012.
[16] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, b, Attachment 1, Work Management Process—Confidential and WP FE response to 2011 audit Data Request BRC Set 1-INT-003, b, Attachment 2, CREWS Work Request Narratives—Confidential.

Contributions in Aid of Construction (CIAC)[17]

Regarding Contributions in Aid of Construction, Blue Ridge had examined the Companies' Invoicing Process Flow Chart that follows work initiation, authorization, scheduling, and completion in accordance with funding—invoicing, payment, and recording.

Application of AFUDC[18]

FirstEnergy has a policy in place to account for capitalized financing costs during construction. Three conditions must be met: (1) expenditures for the asset must have been made; (2) activities necessary to prepare the asset for its intended use must be in progress; and (3) interest cost must be incurring. Interest capitalization ceases when any of these conditions ceases or, of course, when construction is complete.

Capital Spares

Blue Ridge reviewed the Companies' capital spares policy in last year's audit and found that it was comprehensive and complete and that it contains all the essential requirements and approval processes we expected to see.[19] The Company made no updates to the policy in 2020.[20] The use of spares, among other things, mitigates disruption of service. The Companies move compatible spare transformers between FirstEnergy entities to and from Ohio when the need arises.[21]

Purchasing/Procurement[22]

Blue Ridge had reviewed FirstEnergy's procedure by which the Companies' Supply Chain prepares, reviews, approves, and processes procurement documents for all materials, equipment, and services. The procedure applies to all business units and operating companies within FirstEnergy. The procedure identifies minimum requirements, exceptions, responsibilities, and actual process steps. Process steps include justifications, requisitions, approvals, buyer activity, sourcing strategy, bidding process, award, execution, and order maintenance.

The Companies stated that to comply with the new NERC CIP ruling "CIP – 13 Cyber Security – Supply Chain Risk Management," minor enhancements were made to the Enterprise Sourcing of Materials and Services procedure.[23]

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[17] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, e, Attachment 1, Invoicing Process Flow Chart—Confidential.
[18] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, d, Attachment 1, Accounting For Capitalized Financing Costs During Construction—Confidential.
[19] FirstEnergy's response to 2019 audit Data Request BRC Set 2-INT-10.
[20] FirstEnergy's response to 2020 audit Data Request BRC Set 3-INT-6.
[21] FirstEnergy's response to 2019 audit Data Request BRC Set 15-INT-4, -5, -6, -7.
[22] WP FE response to 2016 audit Data Request BRC Set 1-INT-013, b, including Attachment 3, Procedure for Enterprise Sourcing of Materials and Services—Confidential.
[23] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-11.

Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)[24]

In its Accounting for Income Taxes procedure, the Companies stated that tax reporting and disclosing of both current and future income taxes in their financial statements is in accordance with generally accepted accounting principles.

Insurance Recovery[25]

According to the Companies, Insurance Risk Management (IRM) coordinates all large property and non-subrogation insurance recoveries. IRM oversees the process from notification to them by field personnel when an event occurs, through evaluation, claim, gathering of costs and expenses, and settlement, and finally culminating in ensuring proper accounting of recoveries.

Property Taxes[26]

Blue Ridge examined the FirstEnergy desktop procedure for Ohio Property Tax returns. The procedure addresses steps taken in producing property tax schedules.

Service Company Allocations[27]

According to the Stipulation in Case 10-388-EL-SSO and continued in Case No. 12-1230-EL-SSO and Case No. 14-1297-EL-SSO, expenditures reflected in the quarterly filing will be “broken down by the Plant in Service Accounts Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case.”[28] The most recent base distribution rate case is Case No. 07-0551-EL-AIR.

Budgeting/Projections[29]

The Rider DCR Compliance Filings include three months of projected data through the end of February 2020. The estimate is based on the most recent (December 2019) forecast from PowerPlant adjusted to reflect current assumptions, to incorporate recommendations from prior audits, and to remove the cumulative pre-2007 impact of a change in pension accounting.[30] Blue Ridge reviewed the Companies’ capital budget process to understand whether that process was sound and results in reasonable projections of expected capital expenditures that would be included in the Rider DCR. Blue Ridge sought to understand the Companies’ processes and practices for justifying and approving the capital funds that would be expended on FirstEnergy’s transmission, distribution, general, and intangible gross plant. The policies, procedures, and process flow diagrams, showing key controls

[24] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, m, Attachment 1, Income Tax Policy and Procedure—Confidential.
[25] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a—Confidential.
[26] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, n, Attachment 1, Ohio Property Tax Returns—Confidential.
[27] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, i—Confidential.
[28] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 15.
[29] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio—Confidential; WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 2, FE Capital Portfolio Development and Capital Management Procedure—Confidential; and WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 3, Energy Delivery Capital Allocation Process—Confidential.
[30] DCR Filings: CE 12-30-16 DCR Filing.pdf, OE 12-30-16 DCR Filing.pdf, and TE 12-30-16 DCR Filing.pdf.

related to, among other things, capital budgeting and projections, was reviewed. Blue Ridge also reviewed whether the cost controls were adequate and reasonable.

Based on past cost overruns of 15% and greater, in the 2019 DCR Rider Audit, Blue Ridge recommended that the Companies further enhance and refine their project-estimating process. As noted under recommendation 3 in section Status of Recommendations of Prior Compliance Audits, in 2020, CEI put a Portfolio Control Process in place that will enhance controls on spending and lend additional visibility prior to the jobs being released to the field. The process brings financial discipline and enhanced business planning by requiring a Change Management Approval Form to be created and approved by leadership when a project that is >$20K has these criteria:

- Budget Variances > 10%
- Schedule Deferral
- Labor Source Changes
- Scope Changes

OE has had a Control Process similar to CEI's in place prior to 2020. In 2020, OE created a process to work with the Companies' Economic Development group to identify new business to include in the forecast. If there is a high probability that these jobs will occur, then there will be a specific RPA added to the forecast.

In 2020, TE continued to monitor its process for approving scope changes on projects. If a project in TE is changed in scope and dollars, approval is required from the engineering manager and additional approval may be required from the director.

The budgeting activity of the Companies, with regard to its impact on Rider DCR, rests within a well-documented process flow. Capital Portfolio development and capital management highlight the process steps from business unit initiation, through decision points, and to the final consolidation and approvals necessary to complete the process. The Capital Planning cycle is aligned with the Integrated Business Planning calendar. The Capital Management Group guides the process, including entering the business units' settled capital target into the capital planning database, allowing the business units to structure their portfolios accordingly.

FirstEnergy's capital budgeting is known internally as "Multi-Year Enterprise Capital Portfolio."[31] Individual business unit programs drive the approval of the capital budgets at the business unit level.[32] In addition, the procedure for creating and acquiring approval for the capital portfolio states, "Business Units will utilize internal review and approval processes to analyze and create a prioritized Capital Portfolio."[33]

Information Technology

FirstEnergy manages Information Technology (IT) projects through a formalized process. The process includes standardized templates to describe and manage the three basic management

[31] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio—Confidential.
[32] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 2, FE Capital Portfolio Development and Capital Management Procedure—Confidential.
[33] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio – Section C.2—Confidential.

categories for IT projects: charter (establishment), scorecard (status, health, issues, and risks), and changes (through change requests). IT's Project Management Office meets biweekly to review IT projects. During these biweekly reviews, the scorecard is used to help track the actual spend on the projects relative to the original budget.

IT project cost definition begins with project estimates for labor and other-than-labor costs. These estimates become the initial budget for the project. The project manager controls the project's refinement as the project scope is finalized. The project manager manages this refinement through a change control process in which justification for changes (resource hours, cost, and schedule) must be provided and approvals for the changes must be received from senior IT management. While a requested change may be for a specific project, the review and approval process also takes into consideration any impacts on the overall portfolio for IT projects. If changes to an individual project are approved, FirstEnergy manages the project according to the new forecast (both cost and schedule).[34]

Development of Rider DCR Compliance Filings

The Rider DCR schedules are compiled and calculated using Microsoft Excel® spreadsheets by a Rates Analyst within the FirstEnergy Service Company's Rates and Regulatory Affairs Department. The Analyst coordinates the gathering of the data and performs the calculations and relies on the provider of the information for accuracy. The Rider DCR Compliance filings are comprised of a number of schedules. The schedules and information sources are summarized as follows:[35]

- Revenue Requirements Summary – calculated by the Rates Department
- DCR Revenue Requirement Calculation – gross plant, reserve, ADIT, depreciation, and property tax expense roll up from detailed schedules; commercial activity tax (CAT) and income tax rates are provided by the Tax Department; and revenue requirements are calculated by the Rates Department
- Plant in Service – Plant Accounting
- Reserve for Depreciation – Plant Accounting
- Accumulated Deferred Income Taxes (ADIT) Balances – Tax Department
- Depreciation Accrual Rates – Plant Accounting provides the gross plant balances; accrual rates are based upon the rates established in Case No. 07-551-EL-AIR, et al.
- Property Tax Calculations – Tax Department
- Summary of Exclusions – primarily from Plant Accounting
- Service Company Allocation Summary – gross plant, reserve, ADIT, depreciation and property tax expense roll up from detailed schedules; allocations are based upon last distribution rate case, Case No. 07-551-EL-AIR, et al.
- Service Company Depreciation Accrual Rates – rates are based upon the weighted average of the approved depreciation rates for the three Ohio Operating Companies

[34] WP FE response to 2013 audit Data Request BRC Set 1-INT-032—Confidential.
[35] Summary of the process repeats process as recorded in previous Rider DCR Compliance Audit Reports. See Compliance Audit of the 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company.

- Service Company Property Tax Rate – rates are based upon the weighted average of the property tax rates for the three Ohio Operating Companies; True Value Percentages & Capitalized Interest Workpaper – Tax Department
- Intangible Depreciation Expense – intangible plant balances provided by Plant Accounting; accrual rates are based on the last distribution rate case, Case No. 07-551-EL-AIR, et al.
- Rider DCR/Rate Design – the Case No. 10-388-EL-SSO Combined Stipulation provides the rate design for Rider DCR
- Billing Units – Forecasting group in the Rates Department (The most recent forecast was used)
- Typical Bill Comparisons – prepared by the Rates Department to reflect the updated rates for Rider DCR
- Rider DCR Tariff – prepared by the Rates Department to reflect the updated rates for Rider DCR

After the Analyst prepares the Rider DCR schedules, they undergo a two-tiered review process. A peer Analyst completes the initial review. The Director of OH Rates and Regulatory Affairs (who is also trained to prepare the Rider DCR filings) completes the second review prior to submission to the Commission. The Vice President of Rates and Regulatory Affairs reviews the filing as needed.

Only one change has been made to this development process in 2020: to incorporate the impact on the Rider DCR revenue requirements of specific recommendations that came out of the audit of the 2019 Rider DCR in Case No. 19-1887-EL-RDR (see section Prior Compliance Audit Recommendations Status above).[36]

Tree Trimming and Clearing and Grading of Land

Policies regarding vegetation management (tree trimming and clearing and grading of land) are of importance in the DCR discussion because of the capital and expense accounting determination. The state of Ohio has adopted FERC accounting for regulatory purposes. Therefore, the determination of capital and expense should be in conformance with the Code of Federal Regulations (18CFR).

The Companies stated that FirstEnergy management, in conjunction with their external auditors, developed and approved the policy Accounting for the Clearing of Transmission and Distribution Corridors (“VM Accounting Policy”). This policy establishes the means by which the Companies differentiate between capital and O&M activity.

However, in its compliance audit of the 2017 DCR Rider and in all subsequent DCR Riders (including the current), Blue Ridge found the VM Accounting Policy to be in conflict with FERC regulation.

Specifically, Blue Ridge noted the broad leeway under the Companies’ policy section 1.3 to remove any tree or limb outside a corridor for any reason and assign it as capital cost. Blue Ridge recommended that the statement be better defined since the activity described was not done in conjunction with the initial or expansion work for a corridor, and therefore, appeared to be (according to FERC regulation) maintenance expense.

[36] FirstEnergy’s response to 2020 audit Data Request BRC Set 1-INT-10.

Furthermore, for trees within the corridor, the policy's section 1.3 directs the charge for limb and tree removal of trees overhanging 15 feet or more above distribution and sub-transmission conductors to capital even though it is not an activity of initial or expanded corridor clearing. Blue Ridge recommended the Companies revise their VM Accounting Policy to remove the conflict with FERC regulations.

The issue has been addressed in Case No. 17-2009-EL-RDR (although still under review in Case Nos. 18-1542-EL-RDR and 19-1887-EL-RDR). In Case No. 17-2009-EL-RDR, the Commission ruled that the Companies implement the recommendations set forth in the 2017 Audit Report, which includes adjusting its current accounting policy regarding the capitalization of certain clearing activities. Therefore, Blue Ridge continues to recommend that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Internal Audit and SOX Compliance

Blue Ridge reviewed the list of 47 internal audits completed or in progress in 2020 regarding controls that would affect Rider DCR.[37] Of those, we specifically reviewed findings of 27 of the audits which had examination elements that could affect the DCR reporting information or process.[38] For the majority of these, Blue Ridge found the conclusions and the Companies' responses not unreasonable. However, Blue Ridge found one of these audits that had significant findings which warranted concern. This audit was a 2020 third quarter Sarbanes-Oxley internal control assessment over financial reporting, which identified five control deficiencies. Two are significant deficiencies, two are control deficiencies, and one is a material weakness. The audit identified internal controls that were not operating effectively to prevent or detect material financial statement errors in a timely manner. However, no errors were discovered, and the nature of the weakness had to do with the proper communication. Therefore, a restatement of prior period financial statements was not required. Thus, Blue Ridge was satisfied that no detrimental effect resulted to the preparation of costs included in the DCR.

Blue Ridge reviewed the list of Sarbanes-Oxley compliance work completed or in progress in 2020[39] from which we chose 17 audits for further review.[40] Two audits resulted in significant findings.[41] The audit of General Accounting resulted in a significant finding related to document posting and approval. The Company addressed the finding by implementing a new control, and Blue Ridge does not believe this issue has any impact on the DCR.

The Accounts Payable audit also resulted in a significant finding related to the payment of invoices through the non-purchase order process without valid contracts. The payment authority control (LOSA) was circumvented. Remediation testing on this issue is not yet complete, and this issue could have implications related to the DCR. Blue Ridge recommends that, once the remediation testing is complete, the results be reviewed in the next DCR audit.

[37] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-014, Attachment 1—Confidential.
[38] FirstEnergy's response to 2020 audit Data Request BRC Set 3-INT-003, Attachment 1—Confidential.
[39] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-015, Attachment 1—Confidential.
[40] FirstEnergy's response to 2020 audit Data Request BRC Set 4-INT-002, Attachment 1—Confidential.
[41] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-002.

Except as indicated above, Blue Ridge is satisfied that for all the Companies' audits and remaining SOX compliance work which we reviewed, no detrimental effect can be attributed to the DCR process or cost.

Conclusion—Processes and Controls

Blue Ridge was able to obtain an understanding of the Companies' processes and controls that affect each of the categories within Rider DCR. Furthermore, except for the SOX audit deficiency that is still in remediation testing, we were satisfied with actions taken with regard to internal and SOX audits. Also, except for the continuing questions of both the VM issue and the EDIT issue (see the discussion of EDIT in the Tax Cuts and Jobs Act Effect in this report), we were satisfied with the process and control of the prior Rider DCR recommendations.

For the SOX audit deficiency, Blue Ridge recommends that the Companies conclude remediation testing and report on the effectiveness of the remediation in the next DCR audit.

Blue Ridge continues to believe that the Companies' vegetation management policies and processes are in conflict with FERC Uniform System of Accounts. Blue Ridge understands that on September 29, 2020, Case No. 18-1542-EL-RDR was consolidated with Case No. 19-1887-EL-RDR and that the issues are pending a Commission ruling. However, the issue has been addressed in Case No. 17-2009-EL-RDR. In that case, the Commission ruled that the Companies should implement the recommendations set forth in the DCR year 2017 Audit Report, which includes adjusting its current accounting policy regarding the capitalization of certain clearing activities. Therefore, Blue Ridge continues to recommend that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Based on information reviewed and except for the recommendations immediately above, Blue Ridge concludes that the Companies' controls were adequate and not unreasonable.

VARIANCE ANALYSIS

- Perform a variance analysis to determine the reasonableness of any changes in plant in service balances including additions, retirements, transfers, and adjustments.

Examining the differences of account balances associated with Rider DCR calculations supports the determination of the trustworthiness of the DCR development. In the current audit of the DCR year 2020, Blue Ridge evaluated several changes and variances in account balances:

- 2020 Plant Additions, Retirements, Transfers, and Adjustments
- Year-to-Year DCR Filing Plant-In-Service Balances
- Year-to-Year DCR Filing Reserve Balances
- Year-to-Year DCR Filing Service Company Balances
- End-of-year 2020 DCR Filing to 2020 FERC Form 1 Plant-in-Service Balances
- 2020 Work Order Population totals to 2020 DCR Filing Year-to-Year Plant-In-Service Activity

2020 Plant Additions, Retirements, Transfers, and Adjustments

Blue Ridge began its account variance analyses by examining the plant additions, retirements, transfers, and adjustments in order to understand changes to the unadjusted plant balances. In its investigation, Blue Ridge asked a multi-part data request regarding certain account changes of concern.

FirstEnergy responded with the requested account detail.[42] Our review of the detail, including understanding accounting entries and activity purposes, resulted in satisfaction regarding most of our concerns. Follow-up questions were asked for further clarification. FirstEnergy's responses[43] assured us that the additions, retirements, transfers, and adjustments were not unreasonable. However, Blue Ridge noted a timing issue regarding retirements.[44] We address the issue in the Gross Plant in Service section of this report under Project Testing, step T8.

Year-to-Year DCR Filing Plant-In-Service Balances

To support identifying, quantifying, and explaining any significant net plant increases within individual accounts, Blue Ridge compared plant-in-service account balances (FERC 300-series accounts) from DCR year-end November 30, 2019, with the year-end November 30, 2020, filing.

The following table is a summary schedule of the net plant changes by classification of plant (i.e., Transmission, Distribution, General, and Intangible Plant). As this table shows, FirstEnergy's operating companies increased gross plant (including allocation of Service Company Plant) by $104.4 million, $115.5 million, and $36.0 million for CE, OE, and TE, respectively. These increases represent a year-over-year percentage increase of 3.2%, 3.1%, and 2.9% for CE, OE, and TE, respectively. The increases did not reveal significant increases in any specific FERC account.

[42] FirstEnergy's responses to 2020 audit Data Requests BRC Set 3-INT-001, 002, and 005, including Attachments - Confidential.
[43] FirstEnergy's responses to 2020 audit Data Requests BRC Set 9-INT-17 and 18 and Set 11-INT-9.
[44] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-9.

Table 12: Adjusted Plant Change from 11/30/2019 to 11/30/2020[45]

	(a)	(b)	(c)	(d)	(e)
Line No.	Account Title	Adjusted Balance 11/30/19	Adjusted Balance 11/30/20	Difference (c)-(b)	% (d)/(b)
1	**The Cleveland Electric Illuminating Company**				
2	Transmission	$ 447,668,592	$ 450,954,190	$ 3,285,598	0.7%
3	Distribution	2,484,683,535	2,571,158,062	86,474,527	3.5%
4	General	164,095,030	168,729,939	4,634,909	2.8%
5	Other	72,106,860	76,219,215	4,112,355	5.7%
6	Service Company Allocated	113,835,242	119,761,375	5,926,133	5.2%
7	**Total Cleveland Electric Illuminating Company**	**$ 3,282,389,259**	**$ 3,386,822,781**	**$ 104,433,522**	**3.2%**
8	**Ohio Edison Company**				
9	Transmission	$ 212,460,022	$ 213,094,880	$ 634,858	0.3%
10	Distribution	3,074,882,308	3,170,010,608	95,128,300	3.1%
11	General	199,737,081	206,330,463	6,593,382	3.3%
12	Other	103,157,756	109,142,875	5,985,119	5.8%
13	Service Company Allocated	137,948,125	145,129,548	7,181,423	5.2%
14	**Total Ohio Edison Company**	**$ 3,728,185,292**	**$ 3,843,708,374**	**$ 115,523,082**	**3.1%**
15	**The Toledo Edison Company**				
16	Transmission	$ 24,723,636	$ 24,662,224	$ (61,412)	-0.2%
17	Distribution	1,067,008,518	1,096,831,059	29,822,541	2.8%
18	General	76,778,776	77,595,581	816,805	1.1%
19	Other	33,061,024	35,322,330	2,261,306	6.8%
20	Service Company Allocated	60,722,810	63,883,971	3,161,161	5.2%
21	**Total Toledo Edison Company**	**$ 1,262,294,764**	**$ 1,298,295,165**	**$ 36,000,401**	**2.9%**
22	**FirstEnergy Ohio Operating Companies**	**$ 8,272,869,315**	**$ 8,528,826,320**	**$ 255,957,005**	**3.1%**

Year-to-Year DCR Filing Reserve Balances

In our analysis of specific reserve account variances from November 30, 2019, through November 30, 2020, Blue Ridge found five accounts which increased greater than expected: Account 370 for all three of the Companies and OE's FERC accounts 391 and 392.

Blue Ridge requested and the Companies provided additional information for these accounts to determine the activity that caused the increases. Based on our review of the Companies' responses, Blue Ridge is satisfied that the activity resulting in the increases is not unreasonable.[46]

Year-to-Year DCR Filing Service Company Balances

Blue Ridge evaluated the change in Service Company balances through the evaluation of additions, retirements, transfers, and adjustments and through our work-order-testing activity discussed in the associated chapter of this report.

[45] WP BRCS FE DCR CF Variance 2021—Confidential.xlsx, tab—PIS Summary.
[46] FirstEnergy's response to 2020 audit Data Request BRC Set 6-INT-001 - Confidential.

End-of-year 2020 DCR Filing to 2020 FERC Form 1 Plant-in-Service Balances

Blue Ridge requested and received from FirstEnergy a reconciliation between the 2020 plant-in-service account balances in the Companies' DCR Compliance Filings and their 2020 FERC Forms 1. Blue Ridge requested this reconciliation to ensure the DCR balances, with the appropriate adjustments, correctly correlated to what was reported on the FERC Forms 1. FirstEnergy provided a spreadsheet comparing the balances and offering the explanations for the differences. After examination, Blue Ridge found the explanations not unreasonable and, with those explanations, found that the balances from the 2020 end-of-year DCR filings matched the balances of the 2020 FERC Forms 1, giving additional confidence that the end year DCR balances could be relied upon.[47]

Blue Ridge had also requested this comparison in last year's audit which verified the beginning balance for this year.[48]

Work Order totals to DCR Filing Year-to-Year Plant-In-Service Activity

Blue Ridge requested a reconciliation comparing the population of work orders in the scope period with the DCR balances. The reconciliations were provided for all three operating companies and the service company.[49] After examination and clarifying calculations regarding adjustments and exclusions, Blue Ridge found that the work order totals aligned with the DCR filing balances.

Conclusion—Variance Analysis

FirstEnergy's responses regarding the variances in plant account balances were largely as a result of normal work order activity and are not uncommon among utilities. The only exception was the retirement timing issue addressed in the Gross Plant in Service section of this report. The change in total plant balances for each of the Companies was not unreasonable.

RIDER LEX, EDR, AMI, AND GENERAL EXCLUSIONS

- Determine if capital additions recovered through Riders LEX, EDR, and AMI have been identified and excluded from Rider DCR. Determine whether capital additions recovered through any other subsequent rider authorized by the Commission to recover delivery-related capital additions have been identified and excluded from Rider DCR.

The Combined Stipulation (reaffirmed in Case Nos. 12-1230-EL-SSO[50] and 14-1297-EL-SSO[51]) requires that capital additions recovered through Commission-approved Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be identified and excluded from Rider DCR and the annual cap allowance.[52]

The Schedule within the Rider DCR Compliance Filings labeled "Summary of Exclusions per Case No. 14-1297-EL-SSO" identifies the capital additions recovered through Riders LEX, EDR, and AMI, and other general adjustments that have been excluded from Rider DCR. The summary also includes

[47] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-006, Attachment 1—Confidential.
[48] FirstEnergy's response to 2019 audit Data Request BRC Set 2-INT-002, Attachment 1—Confidential.
[49] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-005, Attachment 1—Confidential.
[50] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11.
[51] Case No. 14-1297-EL-SSO Commission Opinion and Order, March 31, 2016, page 119.
[52] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.

exclusions related to the Experimental Company-Owned LED Program. The other general adjustments include exclusions for net plant related to land leased to ATSI, FirstEnergy's transmission subsidiary.

Line Extension Recovery Rider (Rider LEX)

Rider LEX includes deferred line extension costs during the period January 1, 2009, through December 31, 2011, including post-in-service carrying charges.[53]

The Companies' Rider DCR Compliance Filings state, "As implemented by the Companies, Rider LEX will recover deferred expenses associated with the lost up-front line extension payments from 2009–2011. These deferred expenses are recorded as a regulatory asset, not as plant in service on the Companies' books. Therefore, there is no adjustment to plant in service associated with Rider LEX."[54]

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include line extension work that should have been included in the Rider LEX. Blue Ridge found that the sample did not include any LEX work orders.[55]

Economic Development Rider (Rider EDR(g))

Rider EDR(g) includes the cost of the electric utility plant, facilities, and equipment installed to reliably support the Cleveland Clinic Foundation's major expansion plans at its Main Campus located at 9500 Euclid Avenue in Cleveland, Ohio. Also included within the rider are the depreciation and taxes over a five-year period on a service-rendered basis, starting June 1, 2011.[56] FirstEnergy further stated that the capital additions associated with the Cleveland Clinic project recovered through Rider EDR(g) are excluded from Rider DCR pursuant to the ESP 2 Order in Case No. 10-388-SSO and continued in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO.

The Companies' Rider DCR Compliance Filings stated that the exclusions related to Rider EDR(g) are determined by the WBS CE-000303.[57] The Rider EDR(g) gross plant and reserve balances are shown separately in the Companies' workpapers to demonstrate that they are appropriately excluded from the balances that are recovered under Rider DCR. The following table shows the incremental change from 2019 to 2020 in the amount of Rider EDR(g) excluded from Rider DCR.[58]

Table 13: Incremental Change in Rider EDR(g) Exclusions from 2019 to 2020

Company	Actual 11/30/2019		Actual 11/30/2020		Change	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
CEI	$ 201,259	$ 9,630	$ 207,171	$ 13,049	$ 5,911	$ 3,419

The Companies are projecting a decrease in the forecasted period ending February 28, 2021, as shown in the following table.[59]

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53 Case No. 08-0935-EL-SSO Stipulation and Recommendation, Section B.3, page 16.
54 CEI, OE, and TE Rider DCR Compliance Filings dated 1/5/21, pages 19 and 44.
55 Additional Validation Testing from Sampled Work Orders, Testing Criteria T1b.
56 Case No. 10-0388-EL-SSO Stipulation and Recommendation, Section F.2, pages 27-28.
57 CEI, OE, and TE Rider DCR Compliance Filings dated 1/5/2021, pages 19 and 44.
58 WP V&V FE DCR Compliance Filing 1.5.2021—Confidential.
59 CEI, OE, and TE Rider DCR Compliance Filings dated 1/5/2021, pages 19 and 44.

Table 14: Incremental Change in Rider EDR(g) Exclusions from 11/30/2020 to 2/28/2021

Company	Actual 11/30/2020		Estimated 2/28/21		Change	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
CEI	$ 207,171	$ 13,049	$ 207,171	$ 13,905	$ -	$ 856

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include work for the Cleveland Clinic Foundation. No work for the Cleveland Clinic Foundation was identified within the sample.[60] However, we did find Cleveland Clinic work orders in the work order population totaling $5,911. The Companies stated (and Blue Ridge confirmed) that these work orders are reflected in the November 30, 2020, plant balances but are identified as an exclusion and removed.[61]

Advanced Metering Infrastructure Rider (Rider AMI)

Rider AMI includes FirstEnergy's Smart Grid Modernization Initiative. With the approval of the stipulation in Case Nos. 16-481-EL-UNC et al., Rider AMI now includes recovery of investments associated with both the CEI Smart Grid Pilot and Grid Mod 1.

CEI Smart Grid Pilot

The Companies' Rider DCR Compliance Filings state that only CEI has an AMI project, so this exclusion does not affect OE or TE. Specific depreciation groups in PowerPlant and WBS CE-004000 determine exclusions related to Rider AMI.[62] The Companies show Rider AMI gross plant and reserve balances separately in the their workpapers to demonstrate that they are appropriately excluded from the balances that are recovered under Rider DCR.

The Summary of Exclusions in the Compliance filings lists the following amounts associated with Rider AMI that were excluded from Rider DCR.

Table 15: Rider AMI Gross Plant and Reserve Reported as Excluded from Rider DCR as of 11/30/2020

FERC Account	CEI	
	Gross	Reserve
303-SGMI	$ 1,022,979	$ (529,413)
362-SGMI	$ 5,406,256	$ 3,336,163
364-SGMI	$ 163,082	$ 98,816
365-SGMI	$ 1,794,147	$ 1,504,299
367-SGMI	$ 11,080	$ 6,579
368-SGMI	$ 171,766	$ 140,934
370-SGMI	$ 17,032,394	$ 11,996,904
397-SGMI	$ 3,342,435	$ 2,709,503
Grand Total	$ 28,944,139	$ 19,263,785

The table above identifies a portion of the AMI that is excluded from the DCR.[63] There are additional excluded amounts found within the documentation that support the DCR gross plant and

[60] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.
[61] WP BRC Set 1-INT-002 Attachment 1 - Confidential - Exclusions against population.
[62] CEI Rider DCR Compliance Filing dated 1/5/2021, pages 19 and 44.
[63] CEI Rider DCR Compliance Filing dated 1/5/2021, pages 19 and 44.

reserve balances and reflect charges to various AMI work orders that were identified during the 2013 Rider DCR Audit. Costs have continued to be recorded to these work orders since 2013. As part of the 2019 Audit, Blue Ridge recommended that the Companies modify the Summary of Exclusions to reflect the total amount of AMI plant that they actually exclude. The Companies added another table to include the AMI work orders identified in the 2013 DCR Audit. These additional amounts, presented in the table below, reflect balances that are included in WBS CE-00400 and Non-SGMI depreciation groups.[64]

Table 16: Rider AMI Work Orders Identified in 2013 DCR Audit Excluded from the DCR as of 11/30/2020

FERC Account	CEI	
	Gross	Reserve
303	$ 572,687	$ 697,875
352	$ 105,588	$ 16,828
353	$ -	$ -
355	$ (814)	$ (115)
356	$ (447)	$ (68)
358	$ -	$ -
361	$ 478,108	$ 81,870
362	$ (742,649)	$ (60,677)
364	$ 46,578	$ 35,534
365	$ 599,247	$ 184,637
367	$ 3,701	$ 245
368	$ (407,755)	$ (113,734)
369	$ 734	$ 73
370	$ (264,909)	$ (89,305)
373	$ 13,036	$ 3,899
390	$ 194,648	$ 3,677
391	$ 3,974,798	$ 2,852,350
397	$ 2,074,680	$ 991,889
Grand Total	$ 6,647,232	$ 4,604,978

<u>Grid Mod 1</u>

The Companies filed a Distribution Platform Modernization (DPM) Plan in Case No. 17-2436-EL-UNC on December 4, 2017. On July 17, 2019, the Commission approved a Stipulation and Recommendation authorizing recovery of the costs associated with the DPM. The Companies' first phase of a grid modernization plan ("Grid Mod I") includes attributes from both the grid modernization business plan and the DPM Plan. The Stipulation states that recovery of capital costs of the Grid Mod I assets will be through the Rider AMI.[65]

The Companies have incurred costs for Grid Mod 1 with charges recorded to FERC accounts 355, 356, 362, 364, 365, 366, 367, 368, 369, 370, 371, 373, 391.2, 394, and 397.[66] FirstEnergy may recover the costs associated with these FERC accounts through the DCR. During Blue Ridge's 2018 audit of

[64] CEI Rider DCR Compliance Filing dated 1/5/2021, pages 19 and 44.
[65] Case No. 16-481-EL-UNC et. al., Stipulation dated November 9, 2018, pages 10–11.
[66] WP BRC Set 1-INT-026 Attachment 2 – Confidential GM1.

the DCR, the Companies explained the control/process mechanism they would use to identify Grid Mod I capital projects versus those recovered through the DCR:

> Similar to the current process for exclusions related to Riders AMI and EDR(g), Grid Mod I will have its own funding project and work orders that will be tracked separately from the work in Rider DCR and clearly identifiable to be excluded from the Rider DCR calculations.
>
> Prior to each Rider DCR filing, the Companies review actual and forecasted work order detail and will be able to locate and exclude activity related to Grid Mod I, based on the funding project and work orders assigned.[67]

The Summary of Exclusions schedule includes the following explanation of how the Companies exclude Grid Mod 1 activity:

> All plant in-service activity associated Grid Mod I is recorded in distinct funding projects that are separate from the plant in-service activity included in Rider DCR. As explained on Schedules B2.1 and B3, the starting balances used for Rider DCR already exclude all Grid Mod I activity, consistent with Case No. 16-481-EL-UNC, et. al.[68]

The Companies have excluded the following charges related to Grid Mod 1 from the starting balances used in Rider DCR.

Table 17: Grid Mod 1 Excluded from Rider DCR[69]

	11/30/19		11/30/20		Change
Company	**Gross**	**Reserve**	**Gross**	**Reserve**	**Gross**
CEI	$374,004	$6,699	$46,839,172	$7,197,428	$46,465,168
OC	$1,445,313	$7,048	$57,298,439	$6,832,290	$55,853,126
TE	$414,807	$7,876	$19,679,549	$3,028,108	$19,264,742
Total	**$2,234,124**	**$21,623**	**$123,817,160**	**$17,057,827**	**$121,583,036**

As part of Blue Ridge's work order sample testing, we reviewed project descriptions to ensure work orders included in the DCR did not include AMI-related work. Blue Ridge found that the sample did include one AMI-related work order (CECO 996263—Comm/Net Network Construction).[70] The AMI work order had been excluded from the DCR, but the balances were included in the Population because they reside in Rider DCR depreciation groups. Nevertheless, they were excluded from the Rider DCR balances.[71]

[67] FirstEnergy's response to 2018 audit Data Request BRC Set 2-INT-003, d.
[68] Rider DCR Compliance Filings dated 1/5/2021, pages 19 and 44.
[69] WP BRC Set 1-INT-026 Attachment 2—Confidential GM1.
[70] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.
[71] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

Other Riders

In addition to Riders LEX, EDR, and AMI, the Combined Stipulation (reaffirmed in Case Nos. 12-1230-EL-SSO[72] and 14-1297-EL-SSO[73]) requires that the Companies identify capital additions recovered through any other subsequent rider, authorized by the Commission to recover delivery-related capital additions, and exclude them from Rider DCR and the annual cap allowance.[74] In addition to the Riders DCR, LEX, EDR, and AMI, the Companies' tariffs include the following riders:

1	Residential Distribution Credit	23	Experimental Critical Peak Pricing
2	Transmission and Ancillary Service Rider	24	CEI Delta Revenue Recovery – CE
3	Alternative Energy Resource	25	Experimental Company Owned LED Lighting Program
4	School Distribution Credit	26	Generation Service
5	Business Distribution Credit	27	Demand Side Management and Energy Efficiency
6	Hospital Net Energy Metering	28	Deferred Generation Cost Recovery
7	Peak Time Rebate Program – CE	29	Deferred Fuel Cost Recovery
8	Universal Service	30	Non-Market-Based Services
9	State kWh Tax	31	Residential Deferred Distribution Cost Recovery
10	Net Energy Metering	32	Non-Residential Deferred Distribution Cost Recovery
11	Grandfathered Contract – CE	33	Residential Electric Heating Recovery
12	Delta Revenue Recovery	34	Residential Generation Credit
13	Demand Side Management	35	Phase-In Recovery
14	Reasonable Arrangement	36	Distribution Modernization
15	Distribution Uncollectible	37	Government Directives Recovery Rider
16	Economic Load Response Program	38	Ohio Renewable Resources Rider
17	Generation Cost Reconciliation	39	Commercial High Load Factor Experimental Time-of Use Rider
18	Fuel	40	Residential Critical Peak Pricing Rider
19	Delivery Service Improvement	41	Tax Savings Adjustment Rider
20	PIPP Uncollectible	42	Legacy Generation Resource Rider
21	Non-Distribution Uncollectible	43	Conservation Support Rider
22	Experimental Real Time Pricing	44	County Fairs and Agricultural Societies Rider **(New Rider)**

The Companies received Commission approval and implemented a new rider: County Fairs and Agricultural Societies Rider (Rider CFA).[75] Blue Ridge reviewed the new rider and found that it does not recover delivery-related capital additions.

Experimental Company-Owned LED Light Program

The Experimental Company-Owned LED Lighting Program costs are recovered through the Tariff program, originally approved in Case No. 14-1027-EL-ATA on November 20, 2014, and continued by Commission Order in Case 16-470-EL-ATA on October 12, 2016.[76] The Companies provided a list of the work order numbers and the FERC accounts that are used to record Experimental Company Owned LED Lights. The list included 168 work orders with charges recorded

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[72] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11.
[73] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[74] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[75] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-028.
[76] FirstEnergy's response to 2017 audit Data Request BRC Set 11-INT-004.

to FERC accounts 364, 365, 367, 368, 369, 373, and 373.3.[77] The Companies have excluded these costs from Rider DCR as shown in the following table.[78]

Table 18: Exclusions Related to the Experimental Company-Owned LED Program as of 11/30/2020

FERC Account	CEI		OE		TE	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
364	$ 3,451	$ 145	$ 103	$ 3	$ 72,709	$ 2,252
365	$ 4,976	$ 119	$ 2,461	$ 58	$ (35,292)	$ (1,121)
367	$ 3,785	$ 119	$ -	$ -	$ 14,980	$ 541
368	$ -	$ -	$ -	$ -	$ (410)	$ 131
369	$ -	$ -	$ -	$ -	$ (215)	$ 6
373	$ 40,956	$ 2,233	$ 57,739	$ 2,417	$ 166,969	$ 8,611
373.3 LED	$ 1,203,451	$ 34,884	$ 345,155	$ 18,465	$ 1,693,588	$ 35,393
Grand Total	$ 1,256,618	$ 37,501	$ 405,458	$ 20,943	$ 1,912,328	$ 45,813

The following table shows the change in the amounts excluded for Experimental Company Owned LED Lights from 11/30/19 to 11/20/20.

Table 19: LED Excluded from DCR

Company	Actual 11/30/19		Actual 11/30/20		Change	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
CEI	$ 318,132	$ 17,429	$ 1,256,618	$ 37,501	$ 938,486	$ 20,072
OE	$ 122,105	$ 7,224	$ 405,458	$ 20,943	$ 283,353	$ 13,719
TE	$ 427,168	$ 13,092	$ 1,912,328	$ 45,813	$ 1,485,160	$ 32,721
Grand Total	$ 867,405	$ 37,745	$ 3,574,404	$ 104,257	$ 2,706,999	$ 66,512

Costs associated with these FERC accounts are also recoverable through the DCR. Blue Ridge identified the Experimental Company-Owned LED Light Program work orders in the population of work orders included in the DCR. The Companies excluded more through the DCR than was included in the 12/1/19 through 11/30/20 work order population as summarized in the following table.[79]

Table 20: Comparison of Incremental Excluded Amounts vs WO Population – Experimental Company Owned LED Program

FERC Account	11/30/20 Activity							
	TE		OE		CE		Total	
	DCR Compliance Filing Exclusions Change from 2019-2020 Filing	Population	DCR Compliance Filing Exclusions Change from 2019-2020 Filing	Population	DCR Compliance Filing Exclusions Change from 2019-2020 Filing	Population	DCR Compliance Filing Exclusions Change from 2019-2020 Filing	Population
36400 - Poles, Towers And Fixtures	$ 69,392	$ 80,329	$ 103	$ (145)	$ 2,057	$ 3,343	$ 71,552	$ 83,527
36500 - Overhd Conductr, Devices	$ (36,674)	$ (36,650)	$ 2,461	$ 2,461	$ 4,013	$ 30,677	$ (30,200)	$ (3,512)
36700 - Undergrnd Conductr,Devices	$ 4,433	$ (1,096)	$ -	$ -	$ (0)	$ (0)	$ 4,432	$ (1,096)
36800 - Line Transformers	$ (5,221)	$ (7,635)	$ -	$ -	$ -	$ -	$ (5,221)	$ (7,635)
36900 - Services	$ (592)	$ (970)	$ -	$ -	$ -	$ -	$ (592)	$ (970)
373xx - Street Light - non 37330	$ 94,103		$ 24,988	$ -	$ 5,449		$ 124,539	$ -
37310 - Street Light - Oh, Ug Lines		$ (21,944)		$ 21,940		$ 7,201		$ 7,197
37320 - Street Light - ESIP		$ -		$ 3,694		$ -	$ -	$ 3,694
Total LED Exlusion accounts less 37330	**$ 125,440**	**$ 12,034**	**$ 27,552**	**$ 27,949**	**$ 11,519**	**$ 41,221**	**$ 164,511**	**$ 81,205**
CECO 101/6-37330 LED SL Ohio Tariff		$ -		$ -	$ 926,968	$ -	$ 926,968	$ -
OECO 101/6-37330 LED SL Ohio Tariff		$ -	$ 255,801	$ -		$ -	$ 255,801	$ -
TECO 101/6-37330 LED SL Ohio Tariff	$ 1,359,719	$ -		$ -		$ -	$ 1,359,719	$ -
Total 37330 Accounts	**$ 1,359,719**	**$ -**	**$ 255,801**	**$ -**	**$ 926,968**	**$ -**	**$ 2,542,488**	**$ -**
Total LED Exclusion Accounts	**$ 1,485,159**	**$ 12,034**	**$ 283,353**	**$ 27,949**	**$ 938,486**	**$ 41,221**	**$ 2,706,998**	**$ 81,205**

[77] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-29 Attachment 9—Confidential.
[78] CEI, OE, and TE Rider DCR Compliance Filings dated 1/5/21, page 19 and 44.
[79] WP FirstEnergy's response to 2020 Data Request BRC Set 10-INT-001—Confidential.

Blue Ridge was able to identify $81,205 of LED work within the Population based on Work Order Number, FERC accounts, and Company. We did not identify any FERC 37330 – Street Light – LED accounts within the Population.

Blue Ridge was unable to specifically identify the $164,511 of activity excluded within the non 37330 FERC accounts filed within the DCR Compliance filing for the period 12/1/19 through 11/30/20. The Company excluded more than $83,306 more than what Blue Ridge was able to identify within the population.

Government Directive Recovery Rider (Rider GDR)

Government Directive Recovery (GDR) Rider has the potential to impact the Rider DCR in the future. Rider GDR recovers costs associated with federal or state government mandates enacted after August 4, 2014. No activity has occurred on Rider GDR to date.[80] The Companies stated that, to the extent the Rider GDR is populated in the future, any costs included for recovery would exclude capital additions or other components that are currently being recovered through Rider DCR.[81] The GDR projects would have their own funding projects and work orders.[82]

Conclusion—Other Riders

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include projects related to Experimental Company Owned LED Light Program and Rider GDR. Blue Ridge found no project costs related to LED or GDR in the work order sample.

<u>*General Exclusions*</u>

Consistent with Case No. 07-551-EL-AIR, the Companies removed land leased to ATSI, FirstEnergy's transmission subsidiary, from Rider DCR. The amounts are not jurisdictional to distribution-related plant in service and were excluded accordingly from each operating company.

Table 21: ATSI Land Lease (FERC Account 350) Excluded from Rider DCR[83]

Company	Actual 11/30/20		Estimated 2/28/21	
	Gross	Reserve	Gross	Reserve
CEI	$ 56,320,866	$ -	$ 56,320,866	$ -
OE	86,092,924	-	86,092,924	-
TE	15,628,438	-	15,628,438	-
Total	**$158,042,228**	**$ -**	**$158,042,228**	**$ -**

The ATSI Land Lease exclusion changed by the incremental activity (i.e., additions, retirements, transfers, and adjustments) recorded in FERC Account 350. Blue Ridge reconciled the change from the prior year's balance to the recorded activity and found no exceptions.[84]

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80 WP FirstEnergy's response to 2016 audit Data Request BRC Set 10-INT-001—Confidential.
81 WP FirstEnergy's response to 2016 audit Data Request BRC Set 10-INT-001—Confidential.
82 WP FirstEnergy's response to 2018 audit Data Request BRC Set 2-005.
83 CEI, OE, and TE Rider DCR Compliance Filings dated 1.5.2021, page 19 and page 44.
84 CEI, OE, and TE Rider DCR Compliance Filings dated 1.5.2021, page 19 and page 44; FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-025.

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include ATSI Land Lease amounts. One work order related to ATSI Land Lease was identified within the sample.[85] The Companies explained that the ATSI Exclusions included in the Rider DCR compliance filing are associated with land leased to ATSI and contained in FERC account 350. The activity contained in work order L1094 in the population is associated with asset transfers to OE:[86]

- Transfer of Boardman-Pidgeon Land to ATSI, per Real Estate record of ownership: $(897,324)
- Transfer Fairlawn Building #5 assets to ATSI, per intercompany transfer agreement: $(963,530).

The above transfers represent credits to the DCR based on Transfer of Fairlawn Building #5 assets to ATSI under the intercompany transfer agreement. We reviewed the cost detail and determined that the accounts credited are, in fact, related to Land and Structures. Therefore, those transfers are not unreasonable.

Generation

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include generation amounts. Blue Ridge found no generation amounts included within the sample work orders that should have been removed.

Conclusion—Rider LEX, EDR, AMI, and General Exclusions

The Companies' exclusion of capital additions recovered through other Commission-approved Riders is not unreasonable.

Gross Plant In Service

- Determine if the Companies' recovery of the incremental change in Gross Plant are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following gross plant-in-service incremental change for each company from the time of the prior audit.

Table 22: Incremental Change in Gross Plant from 11/30/19 to 11/30/20[87]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 3,282,389,260	$ 3,386,822,782	$ 104,433,522
Ohio Edison Company	3,728,185,289	3,843,708,376	115,523,087
The Toledo Edison Company	1,262,294,764	1,298,295,163	36,000,399
Total	**$ 8,272,869,313**	**$ 8,528,826,321**	**$ 255,957,008**

Actual and Estimated Schedules B-2.1 support the incremental change in gross plant in service for transmission, distribution, and general plant. Other plant includes intangibles that are supported

[85] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.
[86] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-005.
[87] WP V&V FE DCR Compliance Filing 1.5.2021—Confidential.

on separate schedules within the filings. The plant balances developed on these schedules are used throughout the Rider DCR revenue requirement calculations.

The Companies did not have any large construction and/or replacement programs in 2020. Each company had normal, recurring replacement programs, including Pole Replacements, Underground Cable Replacement, Feeder Repair/Replacement, Worst Performing Circuit/CEMI Program, and Downtown Network Upgrades.[88]

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included in the actual and estimated schedules that support gross plant and also verified that gross plant balances rolled forward to the revenue requirement calculation correctly. We did not identify anything in the mathematical computations as unreasonable.[89]

Source Data Validation

Blue Ridge traced the values used for actual November 30, 2020, and estimated February 28, 2021, gross plant-in-service balances to source documentation.[90] The actual plant-in-service balances were adjusted to remove the cumulative pre-2007 impact of a change in pension accounting (discussed below), to incorporate applicable adjustments associated with recommendations from the Rider DCR Audit Reports filed in 2013–2020,[91] and to remove all balances associated with Grid Mod I as approved by the Commission in Case No. 16-481-EL-UNC et al. (as discussed in the Exclusion section of this report).

Change in Pension Accounting

Schedule B-2.1 includes a note that plant in service is adjusted to remove the cumulative pre-2007 impact of a change in pension accounting. In the prior audit, FirstEnergy explained the adjustment as follows:

> Effective in the fourth quarter of 2011, FirstEnergy Corp. (FE) elected to change its method of recognizing actuarial gains and losses for its defined benefit pension plans and other postretirement plans (OPEB). Previously, FE recognized actuarial gains and losses as a component of Accumulated Other Comprehensive Income (AOCI) within the Consolidated Balance Sheets on an annual basis. Actuarial gains and losses that were outside a specific corridor were subsequently amortized from AOCI into earnings over the remaining service life of affected employees within the related plans. Under the new methodology, which is preferable under GAAP, FE has elected to immediately recognize net actuarial gains and losses in earnings, subject to capital labor rates, in the fourth quarter of each reporting year as gains and losses occur and whenever a plan is determined to qualify for a re-measurement during a reporting year. The cumulative impact of this change in accounting methodology was reflected in FE's 2011 year-end financial results. Net plant in service was impacted by the

[88] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-019.
[89] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[90] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-001, Attachment 3—Confidential.
[91] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-001, Attachments 4, 5, 6, 7, 8 and 9—Confidential.

appropriate capitalized portion of actuarial gains and losses recognized as a result of this accounting methodology change.[92]

Blue Ridge found FirstEnergy's explanation to be not unreasonable. In addition, Blue Ridge compared the Change in Pension Accounting amounts from year to year and found that the amounts were the same.[93]

Validation of Work Order Population

The Companies provided a list of work orders that support gross plant in service for December 2019 through November 2020.[94] Blue Ridge validated that the work order amounts reconciled to the Companies' DCR filing gross plant balances.[95] Blue Ridge sorted the work order population by work order number and reviewed the population for work order numbers that represent plant that is specifically excluded from Rider DCR. Blue Ridge's findings are discussed in the Rider LEX, EDR, AMI, and General Exclusions section. In addition, the population was scanned for unusual transactions and included them as judgment samples if not selected in the statistical sample.

Transaction Testing of Sampled Work Orders

In addition to global evaluations of the population, Blue Ridge selected work orders for additional detail testing. Using probability-proportional-to-size (PPS) sampling techniques[96] and professional judgment, Blue Ridge selected 63 work orders representing 165 FERC cost line items for detailed transactional testing. The following table provides the number of work orders and FERC cost line items in the population and the number in Blue Ridge's sample.

Table 23: Work Orders and FERC Cost Line Items in Population and Sample by Company[97]

	Population			Sample			
	Work Orders	**FERC Cost Line Items**	**Work Order Amounts**	**Work Orders**	**FERC Cost Line Items**	**Work Order Amounts**	**% Sample of Population**
Cleveland Electric	20,226	29,272	$97,961,564	16	52	$18,713,558	19%
Ohio Edison	27,036	43,783	$107,482,736	21	69	$15,700,081	15%
Toledo Edison	10,299	15,436	$32,963,688	14	25	$8,162,697	25%
Service Company	119	130	$41,703,965	12	19	$769,241	2%
Total	**57,680**	**88,621**	**$280,111,953**	**63**	**165**	$43,345,577	15%

The testing of work orders included review of project justifications, project actual versus budgeted cost, variance explanations, reasonableness of the in-service dates in comparison to the estimated in-service dates, proper charge of the actual detailed cost to the proper FERC account, AFUDC charge on the work order (and if so, that it was appropriate), timeliness of recording of asset retirements for replacement work orders, and appropriate charge of cost of removal. The results of

[92] WP FE response to 2011 Audit Data Request BRC Set 14-INT-001.
[93] WP FEOH 2020 Pre-Date Certain Pension Impact Analysis 2012-2020 - CONFIDENTIAL.
[94] FirstEnergy's response to Data Request BRC Set 1-INT-002, Attachment 1—Confidential.
[95] WP BRC Set 1-INT-001 Att 1, Att 3, 1-INT-002, 1-INT-005 RECONCILLIATION (2019 vs 2020).
[96] WP FEOH 2020 Sample Size Calculation Work Orders through 11-30-20 – CONFIDENTIAL.
[97] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-002 and WP FEOH 2020 Sample Size Calculation Work Orders through 11-30-20 - CONFIDENTIAL.xlsx.

the detailed transaction testing performed on the work order sample are included in the workpapers.[98] Specific observations and findings about the testing are listed below.

Description of Projects

The Companies provided descriptions of the projects included in the work order sample. In general, the projects may be categorized according to the following types of additions and replacements.

1. Installation of underground and overhead conduit, conductors, and devices, including installation on customer premises
2. Meters
3. Station equipment
4. Street lighting
5. Structures and improvements
6. Office furniture and equipment
7. Line transformers
8. Poles, towers, and fixtures
9. Services
10. Miscellaneous intangible plant (software)
11. Communication equipment
12. Store Equipment
13. Tools, Shop, Garage Equip
14. Laboratory Equipment
15. Clearing, Grading of land
16. Power-Operated, Stores, Transportation, and Data-Processing Equipment

Project Testing

To satisfy the review of these areas of focus, Blue Ridge formulated the objective criteria into the following transactional testing steps, labeled T1 through T9. Blue Ridge's observations and findings against the criteria follow.

T1: Project Type (The work is appropriately includable in Rider DCR)

- T1A: Is the work related to FE, CE, OE, or TE?
- T1B: Does the work order / project include plant in service associated with distribution, subtransmission, general, or intangible plant (including general plant from First Energy Service Company that supports the Companies)?
- T1C: Does the DCR work order / project include any of the following excluded items?
  - AMI—Advanced Metering Infrastructure Rider
  - LEX—Line Extension Cost Recovery Rider
  - EDR(g)—Economic Development Rider
  - LED—Experimental Company Owned LED program
  - GDR—Government Directive Recovery Rider
  - GEN—Generation
  - ATSI—Land Lease

[98] WP FEOH 2020 Sample Work Order Testing Matrix-Confidential.

- T1D: Is the work order / project specific, blanket, multi-year, or other (provide description)?
- T1E: Is the work order / project an addition replacement, non-project allocation, or other (provide description)?

T2: Capital Scope
- T2A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

T3: Justification
- T3A: For specific or multi-year work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

T4: Approval/ Budget
- T4A: Did the work order / project have proper level of approval?
- T4B: Does the work order / project have an approved budget?
- T4C: Are the work order / project costs +/- 15% of the approved budget?
- T4D: Are explanations and approvals provided for cost overruns 15% and greater over the approved budget?

T5: In-Service Dates
- T5A: Is the actual in-service date in line (at or before) with the estimated in-service date?
- T5B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

T6: Continuing Property Records
- T6A: Do the Continuing Property Records support the asset completely and accurately?

T7: Cost Categories
- T7A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?
- T7B: For "other" (referring to T1d above), are the description and costs not unreasonable?

T8: Replacement projects
- T8A: Were assets retired?
- T8B: Was the date of retirement in line with the asset replacement date?
- T8C: Is the amount of the retired asset not unreasonable?
- T8D: Was salvage recorded?
- T8E: Was cost of removal charged? Is the amount not unreasonable?

T9: Field Verification
- T9A: Is the project a candidate for field verification?

The results of the detailed transactional testing performed on the work-order sample are included in the workpapers. Specific observations and findings about the testing are listed below.

T1: Project Type (The work is appropriately includable in Rider DCR)
- T1A: Is the work related to FE, CE, OE, or TE?
- T1B: Does the work order / project include plant in service associated with distribution, subtransmission, general, or intangible plant (including general plant from First Energy Service Company that supports the Companies)?

Blue Ridge found that, with the exception of vegetation management discussed below, plant in service was associated with distribution, subtransmission, general, and intangible plant.

Tree Trimming and Clearing and Grading of Land

Blue Ridge's sample included four work orders related to vegetation management (VM or "Tree Trimming"):

1. CECO Work order: CE-900186-VMPL-DIST—Total Project—$10,488,121. Project Description: For 2021, this program covers a total of 2,346 circuit miles of vegetation management and will encompass the planned removal of overhanging branches and off corridor trees. Includes all contractor dollars.
2. OECO Work order: OE-900186-VMPL-DIST—Total Project—$7,151,079. Project Description: 2021 5101 miles planned OE-D-VEG Mgmt Program 2018 - 4986 Miles Planned OE-D-VEG Mgmt Program 2017 - 5143 Miles Planned OE-D-VEG Mgmt Program 2016 - 3953 Miles Planned OE-D-VEG Mgmt Program 2015 - 4568 Miles Planned
3. TECO Work order: TW-900186-VMPL-DIST—N-Vegetation Management Planned Distribution—$2,499,444. Project Description: Routine Vegetation Management along overhead distribution conductors.
4. TECO Work order: TW-900189-VMUPL-DIST—Total Project*—$27,847. Project Description: Routine Vegetation Management along overhead distribution conductors.[99]

Because of our concerns regarding the proper coding of VM costs and whether these costs should be recovered through the DCR as capital, Blue Ridge identified all the VM work orders in the population.

Table 24: Vegetation Management Work Orders[100]

Company	Work Order	FERC Plant Account	Total Activity in Populaiton	Total in Activity Codes (5, 14, 30, and 36)	% of Disallowed Codes to Total Activity
CECO	*CE-900186-VMPL-DIST	36510 - Clearing, Grading of Land	$10,488,121	$8,151,638	78%
	CE-900187-VMPL-SUBT	35620 - Clearing, Grading of Land	$296,381	$183,078	62%
		36510 - Clearing, Grading of Land	-$1		
	CE-900189-VMUPL-DIST	36510 - Clearing, Grading of Land	$489,563	$204,631	42%
	CE-900190-VMUPL-SUBT	36510 - Clearing, Grading of Land	$213,533	$784	0%
	CN-900187-VMPL-SUBT	36500 - Overhd Conductr, Devices	-$1	$0	0%
		36510 - Clearing, Grading of Land	$1		
OECO	OC-900186-VMPL-DIST	36510 - Clearing, Grading of Land	-$730	$0	0%
	*OE-900186-VMPL-DIST	36510 - Clearing, Grading of Land	$7,151,079	$6,209,765	87%
	OE-900187-VMPL-SUBT	35620 - Clearing, Grading of Land	$102,284	$95,774	94%
	OE-900188-VMPL-TRAN	35620 - Clearing, Grading of Land	$614	$0	0%
	OE-900189-VMUPL-DIST	36120 - Clearing, Grading of Land	$172,938	$184,234	98%
		36510 - Clearing, Grading of Land	$15,919		
	OE-900190-VMUPL-SUBT	35620 - Clearing, Grading of Land	$2,239	$2,230	100%
TECO	*TW-900186-VMPL-DIST	36510 - Clearing, Grading of Land	$2,499,444	$2,138,707	86%
	TW-900187-VMPL-SUBT	35620 - Clearing, Grading of Land	$6,188	$321	0%
		36510 - Clearing, Grading of Land	-$6,188		
	*TW-900189-VMUPL-DIST	36510 - Clearing, Grading of Land	$27,847	$26,156	94%
Grand Total			**$21,459,231**	$17,197,318	80%

As discussed in the Processes and Controls section of this report, Blue Ridge found the Companies' policy Accounting for the Clearing of Transmission and Distribution Corridors at odds

[99] First Energy's response to 2020 audit Data Request BRC 2-INT-001.
[100] WP BRC Set 1-INT-002 Attachment 1 – Confidential against BRC Set 1-INT-036 – Confidential – Veg Management.

with the FERC Uniform System of Accounts. The Companies use task category codes to determine whether work should be charged to expenses or capital. Review of the VM issue in prior DCR audits and the current audit focused on specific task codes designated for capital work that we believe do not conform to FERC accounting. We identified the following cost category codes used that we believe are inappropriate to be charged to capital:

- Cost Category 05—Off Corridor or removal of on corridor tree with overhang
- Cost Category 36—Cut Tree in the Clear Off Corridor No Future Maintenance Required.
- Cost Category 14—Overhead Limb Removal
- Cost Category 30—Property Owner Notification Capital

We obtained the VM charges for each cost code and compared the 2020 balances to the 2018 and 2019 balances, as shown in the following table.

Table 25: Vegetation Management Work Orders Charged to Cost Codes, 05, 14, 30, and 36[101]

OPCO	Cost Category	2018 Costs	2019 Costs	2020 Costs	Cumulative
CEI	5	$344,191	$68,764	$41,842	$454,797
	14	$7,994,679	$6,583,812	$8,176,939	$22,755,430
	30	$301,176	$179,820	$208,625	$689,621
	36	$245,751	$218,070	$112,725	$576,546
	CEI Total	**$8,885,797**	**$7,050,466**	**$8,540,131**	**$24,476,394**
OE	5	$373,704	$157,686	$380,040	$911,430
	14	$5,643,274	$6,010,477	$4,517,180	$16,170,931
	30	$569,619	$555,933	$522,026	$1,647,578
	36	$651,051	$486,610	$1,072,757	$2,210,418
	OE Total	**$7,237,648**	**$7,210,706**	**$6,492,003**	**$20,940,357**
TE	5	$47,426	$35,817	$39,932	$123,175
	14	$1,648,963	$2,185,779	$1,863,744	$5,698,486
	30	$175,977	$162,379	$148,187	$486,543
	36	$67,415	$70,198	$113,321	$250,934
	TE Total	**$1,939,781**	**$2,454,173**	**$2,165,184**	**$6,559,138**
Grand Total		**$18,063,226**	**$16,715,345**	**$17,197,318**	**$51,975,889**
Total of VM in Population by Year		**$18,617,389**	**$19,713,562**	**$21,459,231**	**$59,790,182**

Blue Ridge recommends that $17,197,318 of capital costs associated with the above cost codes be disallowed because they do not conform to FERC accounting. Blue Ridge has estimated the impact to the current DCR revenue requirements:

ADJUSTMENT #1: Reduction to CECO Revenue Requirements of $1,686,259
ADJUSTMENT #2: Reduction to OECO Revenue Requirements of $1,025,521
ADJUSTMENT #3: Reduction to TECO Revenue Requirements of $402,349

[101] WP BRC Set 1-INT-002 Attachment 1 – Confidential against BRC Set 1-INT-036 – Confidential – Veg Management, FirstEnergy's response to Data Request 2019 BRC Set 15-INT-003 and FirstEnergy's response to 2018 Data Request BRC Set 16-INT-001.

In addition, Blue Ridge continues to recommend the Companies enhance the VM procedures to include more support for the time sheet task codes charged.

T1C: Does the DCR work order / project include any of the following excluded items?
AMI—Advanced Metering Infrastructure Rider
LEX—Line Extension Cost Recovery Rider
EDR(g)—Economic Development Rider
LED—Experimental Company Owned LED program
GDR—Government Directive Recovery Rider
GEN—Generation
ATSI—Land Lease

DCR—Distribution Capital Rider

Blue Ridge reviewed the sample to ensure that each of the 63 work orders / project tested should be included within the DCR. Blue Ridge found three work orders that were not related to the DCR.

1. AMI/Grid Mod 1 work order (996263) a negative addition
2. Auto retirement work order (ZZ_Life_Auto) that includes some AMI/Grid Mod 1 retirements that were transferred out of the DCR
3. Accounting work order (L1094) that was primarily used for transfers of assets between companies or for a transaction not directly associated with a Project Management work order

Blue Ridge found that that these work orders reflected transfers or reductions to the DCR plant balances and were not unreasonable.

AMI—Advanced Metering Infrastructure Rider and Grid Mod 1

Blue Ridge reviewed the project descriptions for each work order that had FERC account within the sample to ensure that those descriptions excluded AMI or SmartGrid[102] projects. Blue Ridge confirmed that AMI work orders were properly excluded from Rider DCR, but the sample did include one AMI/Grid Mod 1 work order (996263) as a negative addition. [103]

The $(831,533.76) of activity was included in Rider DCR depreciation group in FERC 39120-Data Processing Equipment and, therefore, was properly excluded from the Rider DCR plant balances.[104]

LEX—Line Extension Cost Recovery Rider

Blue Ridge reviewed the project scope for each work order that had FERC account 360, Distribution Plant—Land and Land Rights, to ensure that each does not include line extension work charged. Blue Ridge confirmed that LEX work orders were properly excluded from Rider DCR. Blue Ridge found that the sample did not include any LEX work orders.[105]

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[102] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part b - Confidential.
[103] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part j - Confidential.
[104] FirstEnergy's response to 2020 audit Data Request BRC Sets 1 INT-09-16.
[105] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part d - Confidential.

EDR(g)—Economic Development Rider

Blue Ridge did not find any work order descriptions in the sample that indicated the work was done in connection with the Cleveland Clinic Foundation and EDR(g).[106]

LED—Experimental Company Owned LED program

Blue Ridge reviewed project descriptions and FERC accounts to determine that the sample did not include any LED program work.[107]

GDR—Government Directive Recovery Rider

The Companies stated that there has been no activity on Rider GDR to date.[108] Blue Ridge found no work orders / projects in the sample related to GDR.

GEN—Generation Work

Blue Ridge found no work orders / projects in the sample related to generation.[109]

ATSI Land Lease

Blue Ridge reviewed the project scope for each work order that had FERC account 350 – Land & Land Rights to ensure that each does not include ATSI Land Lease. Blue Ridge found one accounting work order (L1094) that was primarily used for transfers of assets between companies or for a transaction not directly associated with a Project Management work order. The work order recorded six transfers. Two of the transfers were to transfer land and buildings to ATSI. The other four transfers were to transfer spare circuit breakers to other substations.[110]

T1D: Is the work order / project specific, blanket, multi-year, or other (provide description)?

Blue Ridge identified the following breakdown:

Table 26 Specific, Blanket, Program etc. as a % of Sample[111]

	Work orders	% of Sample	Activity Cost
AMI	1	2%	-$831,534
Specific	19	30%	$12,299,895
Blanket	22	35%	$7,768,252
Program	5	8%	$1,380,563
Capital Related Overhead adjustments	3	5%	$5,196,520
Part of Capital Portfolio	13	21%	$17,531,881
Total	63	100%	$43,345,576

106 FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part c - Confidential.
107 FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part k - Confidential.
108 FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029.
109 FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-029, part a - Confidential.
110 FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-005.
111 FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001, Attachment 3 – Cost Detail.

T1E: Is the work order / project an addition, replacement, non-project allocation, or other (provide description)?

Blue Ridge identified the following breakdown:

Table 27 Additions, Replacements, etc. as a % of Sample[112]

Project Type	Work Orders	% of Sample	Activity Cost
AMI	1	2%	-$831,534
Addition	31	49%	$43,157,332
Addition/ Replacement	2	3%	$175,909
Replacement	26	41%	-$4,352,651
Capital	3	5%	$5,196,520
Total	**63**	**100%**	**$43,345,576**

T2: Capital Scope

T2A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

The Companies provided descriptions of the type of work included in specific work orders / projects in the sample. Blue Ridge evaluated the information to determine whether the work orders / projects in the sample were appropriately classified as capital and charged to the proper Intangible, Distribution, and General Equipment FERC 300 accounts. Blue Ridge found eleven work orders with capital accounts charged. The scope of work is capital, but the accounts vary depending on the type of work. The work order detail is not unreasonable.

Blue Ridge found six work orders that needed further review in order to determine whether the work was capital.

1. CECO Work order: 14861458**—**E55th St Broadway to Superior - CEI UG—$738,285
2. CECO Work order: 15599597**—**2018 Cleveland Resurf Proj - CEI UG MH—$89,885

   Companies' response for #1 and #2 above: The selected work orders capture costs for the manhole casting adjustments made within the City of Cleveland. In 2015, the City of Cleveland modified their requirements and dimensions for the manhole adjustments that resulted in a 400% cost increase per manhole. The Companies were required to adjust and reset the manhole-castings required by the City of Cleveland. Most manholes within CEI are more than 60 years old. Due to these requirements, in the event a manhole was not replaced entirely, the manhole adjustments were deemed to be capital due to the increased scope of the manhole adjustments and the result of extending its useful life.[113]

   The Company describes what is involved with adjusting and resetting of the manhole castings when it does not involve the replacement of the entire underground manhole structure:

[112] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001, Attachment 3 – Cost Detail.
[113] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-001.

> Saw cut and remove existing pavement/concrete around manhole casting 7.5'x7.5'. Remove existing courses of brick. Install new courses of brick/neck rings, install new casting frame and cover, install new dowel pins. Concrete encase new casting area 7.5'x7.5' to adhere to City of Cleveland specifications.

All casting was replaced at all manholes worked on in this sample. Only under special circumstances are the castings not replaced. Manhole covers and castings are not a unit of property or tracked in property records with a vintage, etc. However, due to the scope of work involved, the size of the new casting, and the work extending the useful life of the manhole, the Companies created a construction unit to capitalize this work in their Engineering Accounting System. Zero manhole castings were reused; 115 were replaced. Zero manhole structures were replaced. The work performed under this program is specific to manhole castings.[114]

Blue Ridge found this activity is capital in nature. This work order was also reviewed during the course of the field audit that is included in Work Order Testing step T9.

3. FECO Work order: ITS-SC-000590-1—Hybrid Cloud Computing Project - Cap—$5,093,699

   Companies' response to #3 above: The following data processing equipment was purchased for the Hybrid Cloud Computing Project:

   - Thirty-two (32) HP Blade servers and associated components
   - Two (2) IBM FlashSystem V9000 flash storage systems[115]

   Blue Ridge found this activity is capital in nature.

4. OECO Work order: 16080601—Equip Investigate/Repair - Circuit Break—$350,424

   Companies' response to #4 above: Work Order # 16080601 is an order to replace a capital asset (breakers). The order was in-service in September 2020 and is currently sitting in the non-unitized bucket. Once the order is unitized, the assets / units of property will be identified.[116]

   Blue Ridge found this activity is capital in nature.

5. OECO Work order: 16405672—Equip Investigate / Repair - Regulator—$96,499

   Companies' response to #5 above: Work Order # 16405672 is also an order to replace a capital asset (regulators). The order was placed in-service in April 2020 and is currently in the non-unitized bucket. Once the order is unitized the assets / units of property will be identified.[117]

   Blue Ridge found this activity is capital in nature.

6. TECO Work order: 15830443—Livis Park SS- Alcatel 7705-8 router—$344,646

[114] FirstEnergy's response to 2020 audit Data Request BRC Set 12-INT-005.
[115] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-004.
[116] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-002.
[117] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-002.

> Companies' response to #6 above: Work Order 15803443 was established as part of FirstEnergy's Legacy Circuit Replacement (LCR) project to address the rapidly rising costs of leased analog circuits associated with communication solutions for data acquisition. The focus of this project is to replace leased analog circuits used across FirstEnergy's footprint, including replacement at Levis Park in TECO. The solution at Levis Park was multiprotocol label switching or MPLS utilizing the Alcatel 7705-8 router.[118]
>
> Blue Ridge found this activity is capital in nature.

Based on the single-line descriptions and the FERC accounts charged, Blue Ridge was able to determine the charges to these blanket work orders should be capital:

1. CE-001603-DO-MSTM—Total Distribution Line—$980,220
2. OECO Work order: OE-003666-DF-MSTM—OE MSTM 7 6/10/2020—$249,337
3. TECO Work order: PA207665230—PO FW: Pole 0006024-2 FOLLOW UP TO LINE—$18,325

Blue Ridge found four vegetation management work orders with certain work codes that are not considered capital by FERC. Further information on the four can be found in Section T1B above.

T3: Justification

T3A: For specific or multi-year work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

Blue Ridge reviewed the justification for all work orders in the sample, exclusive of blanket, multi-year projects, transfers, and adjustments, and found all project work orders included justifications that were not unreasonable. In addition, the explanations for transfers and adjustments were not unreasonable. The nature of the blanket projects is what would typically be expected for core work of an electric utility.

T4: Approval/Budget

T4A: Did the work order / project have proper level of approval?

In 2020, CEI put a Portfolio Control Process in place that will enhance controls on spending and lend additional visibility prior to the jobs being released to the field. The process brings financial discipline and enhanced business planning by requiring a Change Management Approval Form to be created and approved by leadership when a project that is greater than $20,000 has these conditions:

- Budget Variances > 10%
- Schedule Deferral
- Labor Source Changes
- Scope Changes

OE has had a Control Process similar to CEI's in place since prior to 2020. In 2020, OE created a process to work with the Companies' Economic Development group to identify new business to

[118] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-003.

include in the forecast. If there is a high probability that these jobs will occur, there will be a specific RPA added to the forecast.

In 2020, TE continued to monitor its process for approving scope changes on projects. If a project in TE is changed in scope and dollars, the engineering manager must approve, and the director may also need to approve.[119]

T4B: Does the work order / project have an approved budget?

For more information, see Testing Step T4A above.

T4C: Are the work order / project costs +/- 15% of the approved budget?

In summary, Blue Ridge found the following calculated results:

- 30%—19 projects over budget by greater than 15%
- 30%—19 projects were over/under budget by less than 15%
- 16%—10 projects were underbudget by greater than 15%
- 24%—15 projects did not have budgets (emergent work, accounting work orders, or storm work)

T4D: Are explanations and approvals provided for cost overruns 15% and greater over the approved budget?

As listed below, the Companies provided explanations for the 19 work orders that were over budget by more than 15%. The explanations included highway relocations by the ODOT, projects that spanned multiple years or phases, emergent work, changes in scope, additional labor required, cost collectors that were underestimated, more failures than budgeted, competitive bidding and technological advances.[120] While we did not find anything that we believe required an adjustment, we do believe some of the cost overruns could have been avoided by better upfront planning.

1. CECO Work order: 12873413—Review ODOT routes & comment on CEI UG
    a. Project Description: ODOT Opportunity Corridor is a transportation and economic development project aimed at connecting I-490 to the University Circle area. The estimated $331 MM in funding is from State and Federal sources. FE involvement consists of relocating pole lines and underground facilities for the new roadway from the I-490/E.55th. intersection to the E.105th./Chester Ave. intersection. This OC3 request covers facility relocations at the Kinsman Rd intersection as follows:2021 overhead work estimate: $190,000. 2021 underground work estimate: $230,000
    b. Actual: $7,897,459
    c. Budget: $5,320,817
    d. Variance: $2,576,641
    e. % Variance to Budget: 48%
    f. Reason for overrun: Project was delayed due to portions of the state funding not being available in the initial / anticipated timeline. Additionally, the project involved more underground work than initially planned. By nature underground work is more costly

[119] FirstEnergy's response to 2020 audit BRC Set 1-INT-009.
[120] Further detail can be found in Blue Ridge's Detailed Transactional Workpapers.

and time consuming than overhead work. To offset the initial delays and due to the increased underground work additional contractor crews were needed. Contractor crews have a higher hourly rate than internal crews.[121]

2. CECO Work order: 14861458—E55th St Broadway to Superior - CEI UG
    a. Project Description: Manhole casting adjustments are required for sections of roadway being re-paved. The amount of adjustment is determined by the finish elevation of the street surface. The number of manhole adjustments necessary each year are dependent on the municipalities and their roadway improvement budgets and usually numbers between 250 and 300.
    b. Actual: $1,695,848
    c. Budget: $789,506
    d. Variance: $906,342
    e. % Variance to Budget: 115%
    f. Reason for overrun: This selection is a cost collector for manhole casting adjustments. These adjustments are required when sections of roadway are repaved or expanded. The amount done each year is dependent on each municipality, their budgets, workload, and timelines. In this instance material and contractor costs were higher due to more adjustments done than budgeted. The budget is a projection using historical actuals as a guideline and 2020 workload increased by 50% over 2019.[122]
3. CECO Work order: 15599597—2018 Cleveland Resurf Proj - CEI UG MH
    a. Project Description: Manhole casting adjustments are required for sections of roadway being re-paved. The amount of adjustment is determined by the finish elevation of the street surface. The number of manhole adjustments necessary each year are dependent on the municipalities and their roadway improvement budgets and usually numbers between 250 and 300.
    b. Actual: $1,695,848
    c. Budget: $789,506
    d. Variance: $906,342
    e. % Variance to Budget: 115%
    f. Reason for Overrun: This selection is a cost collector for manhole casting adjustments. These adjustments are required when sections of roadway are repaved or expanded. The amount done each year is dependent on each municipality, their budgets, workload, and timelines. In this instance material and contractor costs were higher due to more adjustments done than budgeted. The budget is a projection using historical actuals as a guideline and 2020 workload increased by 50% over 2019.[123]
4. CECO Work order: CE-700439-2018R1—IT Customer Service Tech Updates 2018 R1
    a. Project Description:
    b. Actual: $1,859,590
    c. Budget: $693,779
    d. Variance: $1,165,811
    e. % Variance to Budget: 168%

[121] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[122] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[123] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

f. Reason for Overrun: Additional OTL and Internal Labor was required for Stress Test execution and implementation of NICE Call Recording Development Environment to support project goals and critical priority defect resolution with Vendors for platform stability, load testing, and functional issues.[124]

5. CECO Work order: CE-700564-2019—IT Head-End Infrastructure for IP SCADA
    a. Project Description:
    b. Actual: $13,905
    c. Budget: $8,638
    d. Variance: $5,267
    e. % Variance to Budget: 61%
    f. Reason for Overrun: Additional OTL and Internal Labor was required to complete system testing.[125]
6. CECO Work order: PA206595861—PO FW: Circuit JY-H016JY (401200016) 201
    a. Project Description: Replace UG network and ducted cables at failure.
    b. Actual: $9,976,807
    c. Budget $7,682,753
    d. Variance: $2,294,053
    e. % Variance to Budget: 30%
    f. Reason for Overrun: This selection represents the cost collector for underground network and ducted cable failures. Work is done when equipment fails, annual costs are a projection. Due to the age of the underground equipment failures are trending upward. Underground failures occurred at a rate higher than budgeted. Budget is based on historical actuals and failures have increased 20% since 2017.[126]
7. FECO Work order: ITS-SC-000563-1—Windows 10 Update Cycle - CAP
    a. Project Description:
    b. Actual: $679,444
    c. Budget: $347,137
    d. Variance: $332,307
    e. % Variance to Budget: 96%
    f. Reason for Overrun: Resources needed to implement design and new processes were underestimated. Discovered integrated processes that needed to be redesigned to support Windows 10.[127]
8. OECO Work order: 13300165—Mantua Sub-2012 SCADA Installations on D
    a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on (6) distribution exit breakers and (2) transfer breakers. Install transformer telemetering where not already available. The scope also extends to include adaptive relaying where applicable. Now scheduled 1st quarter 2017
    b. Actual: $3,993,037
    c. Budget: $664,557

[124] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[125] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[126] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[127] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

   d. Variance: $3,328,480
   e. % Variance to Budget: 501%
   f. Reason for Overrun: The WBS project budget included this multi-year SCADA installation order that experienced scope increases due to technological advances in the equipment being installed causing higher material costs than originally assumed. Due to the increase, overall costs of this project exceeded the initial budget for this work. This particular work order is for the SCADA installation at Mantua Sub.[128]

9. OECO Work order: 14431541—CARROLL SUB INSTALL SCADA
   a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on the distribution exit breakers at Carrol Sub. Replace breakers per field personnel request. (10 2014)
   b. Actual: $1,009,777
   c. Budget: $465,885
   d. Variance: $543,89
   e. % Variance to Budget: 117%
   f. Reason for Overrun: The WBS project budget included this multi-year SCADA installation order that experienced scope increases due to technological advances in the equipment being installed causing higher material costs than originally assumed. Due to the increase, overall costs of this project exceeded the initial budget for this work. This particular work order is for the SCADA installation at Carroll Sub.[129]

10. OECO Work order: 15800631—MED-303-14.94 PID 94440
    a. Project Description: OE - Forced - N-Highway Relocation-OH Facility
    b. Actual: $2,484,079
    c. Budget: $1,784,958
    d. Variance: $699,12
    e. % Variance to Budget: 39%
    f. Reason for Overrun: This project was covered by the capital blanket budget. This Blanket grouping is used when we have been notified of Highway Relocation ODOT projects. This particular order is to relocate poles for the Medina 303 road widening project. Costs are higher because we received more projects than usual from ODOT. The budget is based on historical actuals and during this time period OE received 2 times the amount of ODOT projects than prior years.[130]

11. OECO Work order: 16080601—Equip Investigate/Repair - Circuit Break
    a. Project Description: Program to gather the costs and planning of failed breakers. This RPA is used to capture costs related to projects for replacing failed substation breakers.
    b. Actual: $2,132,200
    c. Budget: $1,419,434
    d. Variance: $712,766
    e. % Variance to Budget: 50%

[128] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[129] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[130] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

   f. Reason for Overrun: This specific project for the Oakhill Riverbend Break is included in the WBS project budget for the Failed Breaker program. Cost for these programs are higher due to experiencing more failures than budgeted. The budget is based on historical actuals, however the during the audit time period, there were 30% more orders received on an annual basis.[131]

12. OECO Work order: 16405672—Equip Investigate / Repair - Regulator
    a. Project Description: Program to gather the costs and planning of failed substation regulators, as opposed to defaulting to a blanket. This RPA is used for 2016 to present projects for replacing failed substation regulators (orders that exceed $50K, in general).
    b. Actual: $2,885,981
    c. Budget: $1,591,034
    d. Variance: $1,294,947
    e. % Variance to Budget: 81%
    f. Reason for Overrun: This specific order for the HANVILLE EAST B PHASE Regulator is linked to the larger project WBS for the Substation Failed Regulator program. Costs are higher due to experiencing more failures than budgeted. The budget is based on historical actuals and there is an 85% increase in the audit time period vs the 3-year average.[132]
13. OECO Work order: IF-OE-000131-1—OE - Elyria Remove UST/Add AST
    a. Project Description: OE - Elyria Remove Underground Storage Tank/Add Aboveground Storage Tank
    b. Actual: $317,119
    c. Budget: $250,000
    d. Variance: $67,119
    e. % Variance to Budget: -27%
    f. Reason for Overrun: The variance is due to competitive bidding and the fact that Overheads and AFUDC were not included in the original budget. See BRC Set 2 INT-001 Attachment 3 where contract costs totaled $240,785.[133]
14. OECO Work order: IF-OE-000132-1—OE - Massillon SC Remove UST/Add AST
    a. Project Description: OE - Massillon SC Remove Underground Storage Tank/Add Aboveground Storage Tank
    b. Actual: $463,477
    c. Budget: $275,000
    d. Variance: $188,477
    e. % Variance to Budget: -69%
    f. Reason for Overrun: The variance is due to competitive bidding and the fact that Overheads and AFUDC were not included in the original budget. See BRC Set 2 INT-001 Attachment 3 where contract costs totaled $322,478.[134]

[131] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[132] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[133] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[134] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

15. OECO Work order: IF-SC-000247-1—SvcCo - Fairlawn Remittance Ctr Reno
    a. Project Description: SvcCo - Fairlawn Remittance Ctr Reno
    b. Actual: $550,879
    c. Budget: $350,000
    d. Variance: $200,879
    e. % Variance to Budget: 57%
    f. Reason for Overrun: The variance is due to competitive bidding and the fact that Overheads and AFUDC were not included in the original budget. See BRC Set 2 INT-001 Attachment 3 where contract costs totaled $270,825.[135]
16. OECO Work order: OE-700626-SW19—IT New Credit Card Vendor
    a. Project Description:
    b. Actual: $160,826
    c. Budget: $85,278
    d. Variance: $75,548
    e. % Variance to Budget: 89%
    f. Reason for Overrun: Higher than estimated costs due to additional requirements from customer team and delayed delivery from vendor.[136] Delays to workorder OE-700626-SW19 and subsequent extension of the timeline were due to factors beyond the Companies' control. Negotiations between the Companies and the processor of the credit card transactions regarding pricing and terms & conditions delayed the signing of the contract which adversely impacted the originally planned timeline.[137]
17. TECO Work order:15776111—SB Order for Defiance SW Ckt Switcher
    a. Project Description: Replace Circuit Switchers at TEPerform engineering only for 138kVSouthwest Defiance Circuit Switcher 13200 and 138kV Fayette Circuit Switcher 13340.
    b. Actual: $2,456,951
    c. Budget: $2,067,707
    d. Variance: $389,244
    e. % Variance to Budget: 19%
    f. Reason for Overrun: For this project the scope was expanded after the budget was set up to include several different circuit switcher sets that were similar in age and level of breakdown as the original Switchers identified. These additional circuit switcher sets drives the variance from original budget as well as delay in in-service time. Additional scope is for the Fayette and Defiance Switchers and also included installation which was not covered in the original budget amount and did not include overhead estimates, which are aprox. 55% of typical project costs ($465.904.64+124,000) *155% = $914,352.19 . The other two switcher sets were $543,430 for Fayette and 609,925 for Defiance including overheads. There was additional site work needed for installation which drove the unfavorable variance.[138]
18. TECO Work order: 16095825—Residential Development

[135] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[136] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[137] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-007.
[138] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

   a. Project Description: TE-Blanket-New Business-Residential Overhead
   b. Actual: $291,917
   c. Budget: $180,823
   d. Variance: $111,094
   e. % Variance to Budget: 61%
   f. Reason for Overrun: This blanket is budgeted in tandem with Blanket TW-900624 New Business- Residential Overhead. The values for the same time period are as follows: Actuals $0 Budget - $180,823, variance - $180,823. The combined variance is $(111,094). This is due in part to more new Residential projects completed during the time period than was anticipated.[139]

19. TECO Work order: 16622904—Equip Investigate/Repair - Transformer O
   a. Project Description: Replace Failed East Archbold #2 TR (69-12.47 kV, 22 MVA. This is a high priority project as Mobile # 5 is currently in service at this location in place of the failed transformer. Identified a 28 MVA replacement transformer which is located at MetEd. Also replace two ITE breakers (engineer now but breakers could be physically replaced later). The existing transformer has no oil pit.
   b. Actual: $3,177,558
   c. Budget: $2,771,303
   d. % Variance to Budget: 406,255
   e. % Variance to Budget: 15%
   f. Reason for Overrun: This was an emergent project, due to the failure of a major transformer at the substation. Temporary service was made by using a mobile transformer unit. The capital portfolio for the region was reviewed and other cuts were made to try to offset this emergent need. Part of the funding for the Failure came from the Forced Failures blanket TW-900083 and part from Substation Failures Blanket TW-800030. The original estimated cost was $938,000, which does not include overheads. There was additional funding request of $365,000 when it was determined that there would be more foundation work needed on site than originally anticipated. In the Actual Total shown, There is also the cost of $809,903.51 for the capital spare replacement that was captured under Order 16327926, which will be transferred back to another OpCo in PowerPlant.[140]

Blue Ridge found that, except for numbers 13–15, the Companies' responses were not unreasonable. For numbers 13–15, Blue Ridge understands that AFUDC and overheads may or may not be included in the original estimates, which may depend on the nature of the work order. However, the management of costs resides primarily with each Project Manager. Therefore, Blue Ridge recommends that the project managers make a more concerted effort to monitor total project costs to ensure the project costs remain in line with the total project cost estimate.

T5: In-Service Dates

T5A: Is the actual in-service date in line (at or before) with the estimated in-service date?

[139] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.
[140] FirstEnergy's response to 2020 audit Data Request BRC Set 2-INT-001.

Blue Ridge found that 29 work orders / projects in our sample were blankets or other types of work orders, such as emergent projects, storms, and adjustments, that would not typically have estimated in-service dates.

Of the 34 work orders / projects with estimated in-service dates, ten, or approximately 16%, had in-service dates before December 31, 2019 (the scope period covered by this audit).

1. CECO Work Order: 13509122—NB USA Waste Inc., Geneva Landfill (PJM
    a. Actual: $628,039
    b. In-Service Date: 12/13/13
    c. Companies' explanation: there was a charge against the project in March 2020 for the final completion of engineering records/drawings from Burns & McDonnell. The CIAC Spillover process then ran in August 2020 for the total negative amount on the project which debited CWIP and credited RWIP. Since the project is in-service, the debit moved from 107 CWIP to 106 Plant in Service Not Classified. As 108 RWIP is included in the Accumulated Depreciation balances used for Rider DCR, the impact of these entries to Rider DCR net plant balances is zero.[141]
    d. Blue Ridge found the Companies' explanation not unreasonable.
2. CECO Work Order: 15599597—2018 Cleveland Resurf Proj - CEI UG MH
    a. Actual: $89,885
    b. In-Service Date: 1/9/19
    c. Companies' explanation: See #10 below.
    d. See Blue Ridge's conclusion after #10 below.
3. CECO Work Order: CE-000827-TQ—Implement New Mobile Radio System
    a. Actual: -$412,671
    b. In-Service Date: 12/14/17
    c. Companies' explanation: The amount of ($412,671) is not a cost reimbursement (CIAC), it is classified as "Other Direct Costs" per BRC Set 2-INT-003 Attachment 1. In September 2020 an adjustment was made to reverse charges representing MARCs Radio user fees that had been incorrectly capitalized up until September 2020. The charges were adjusted off of the project and into operations expense. The Companies will include an adjustment to the Rider DCR revenue requirement in a future Rider DCR filing for the cumulative revenue requirement impact. The adjustment was ($610,734) offset by invoice charges during the period of $198,063.[142] AFUDC was incurred only in the first month of the project, December 2017, in the amount of $77.08. AFUDC stopped accruing as of the in-service date, which was also December 2017. The over accrual of AFUDC was $77.08.[143]
    d. Blue Ridge found that the MARCs Radio user fees have been capitalized and included in the DCR since May 2018. The Companies stated it will include an adjustment to the Rider DCR revenue requirement in a future Rider DCR filing for the cumulative revenue requirement impact. Blue Ridge has estimated the impact to the current DCR

[141] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-007.
[142] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-008.
[143] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-003.

revenue requirements to be $(9,813) [**ADJUSTMENT #24**] The total estimated CE DCR quarterly revenue requirement impact is $(134,947).

4. CECO Work Order: IF-CE-000092-1—CE - Woodland Substation Rpl Roof
    a. Actual: $428,007
    b. In-Service Date: 12/31/18
    c. Companies' explanation: See #10 below.
    d. See Blue Ridge's conclusion after #10 below.
5. OECO Work Order: IF-OE-000131-1—OE - Elyria Remove UST/Add AST
    a. Actual: $436,786
    b. In-Service Date: 3/27/19
    c. Companies' explanation: The earlier date is when the WBS was originally created, and the later date was when it was as marked as TECO in SAP.[144]
    d. Blue Ridge found the Companies' explanation not unreasonable. See the additional discussion after #10 below.
6. OECO Work Order: IF-OE-000132-1—OE - Massillon SC Remove UST/Add AST
    a. Actual: $622,765
    b. In-Service Date: 6/21/19
    c. Companies' explanation: The earlier date is when the WBS was originally created, and the later date was when it was as marked as TECO in SAP.[145]
    d. Blue Ridge found the explanation not unreasonable. See the additional discussion after #10 below.
7. OECO Work Order: IF-OE-000135-1—OE - Fairlawn 6 Rpl Fence Enclosure
    a. Actual: $107,247
    b. In-Service Date: 10/29/18
    c. Companies' explanation: See #10 below.
    d. See Blue Ridge's conclusion after #10 below.
8. OECO Work Order: IF-SC-000247-1—SvcCo - Fairlawn Remittance Ctr Reno
    a. Actual: $694,310
    b. In-Service Date: 9/28/17
    c. Companies' explanation: See #10 below
    d. See Blue Ridge's conclusion after #10 below.
9. TECO Work Order: IF-TW-000025-1—TE - Holland Replace Office Roof
    a. Actual: $392,419
    b. In-Service Date: 5/1/18
    c. Companies' explanation: The earlier date is when the WBS was originally created, and the later date was when it was as marked as TECO in SAP.[146]
    d. See Blue Ridge conclusion after #10 below.
10. TECO Work Order: TW-700527-2017R1—IT ARCOS Callout Implementation 2017R1
    a. Actual: $35,972

[144] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-005.
[145] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-005.
[146] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-005.

    b. In-Service Date: 1/8/18

- Companies' explanation for items 2 and 4–10: The work orders had incomplete work order unit estimates, on which the original in-service dates provided by the Companies were based. This was due primarily to missing utility accounts in the estimates that resulted in errors when the work orders were in-serviced, and therefore they could not be moved from 107 CWIP to 106 Plant in Service Not Classified. The work order unit estimates were corrected in January 2020 and the Automatic Non-Unitization process was completed to move the amounts into 106, which is why the activity is in the scope of this audit period.[147]

  None of the work orders over accrued AFUDC by virtue of remaining in CWIP. PowerPlan stops calculating AFUDC based on the in-service date, so even though the projects didn't automatically move from 107 to 106, no further AFUDC accrued.[148]

  One work order did accrue a nominal amount of AFUDC, but that was based on an adjustment and not because the work order remained in CWIP longer than it should have.

- Blue Ridge conclusion: 10 work orders, or 29% of the work orders that had estimates, and 16% of the total work orders had incomplete work order unit estimates that resulted in those work orders not being able to close to completed construction not classified. This appears to be incomplete project estimates. The controls in place related to moving dollars from CWIP to CCNC properly blocked the work orders from closing. None of the work orders appear to be blankets. They all are specific work orders. Since the work orders are declared in service, over accrual of AFDUC is not an issue. This appears to be more of a process issue.

  Blue Ridge recommends that the Companies determine why the estimates were incomplete and lacked utility accounts and what can be done to mitigate this type of error in the future. Not closing the work orders to CCNC timely also delays the possibility of unitizing the work orders and increases the work order backlog. The work order backlog is discussed in another area of this report.

Of the 34 work orders / projects with estimated in-service dates, seven, or approximately 11%, had in-service dates that were over 90 days delayed from the estimates and accrued AFUDC.

1. CECO Work Order: 13509122—NB USA Waste Inc., Geneva Landfill (PJM
    a. Total: $628,039
    b. Need Date: 12/31/12
    c. In-Service Date: 12/13/13
    d. # days delayed: 347
    e. Reason for delay: Construction delayed due to customer lead time.
    f. Blue Ridge: Explanation is not unreasonable
2. CECO Work Order: CE-700564-2019—IT Head-End Infrastructure for IP SCADA
    a. Total: $13,905
    b. Need Date: 12/31/19
    c. In-Service Date: 11/14/20
    d. # days delayed: 319

[147] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-013.
[148] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-007.

   e. Reason for delay: Additional time was needed to complete the project due to more than estimated testing and verification activities that needed to be performed.
   f. Blue Ridge: Explanation is not unreasonable

3. OECO Work Order: 13300165—Mantua Sub-2012 SCADA Installations on D
   a. Total: $1,008,602
   b. Need Date: 8/1/18
   c. In-Service Date: 4/29/20
   d. # days delayed: 637
   e. Reason for delay: Project was deferred due to reallocation of labor resources.
   f. Blue Ridge: see Work Order Testing Step 5B for further discussion.
4. OECO Work Order: 14431541—CARROLL SUB INSTALL SCADA
   a. Total: $950,148
   b. Need Date: 12/31/19
   c. In-Service date: 8/19/20
   d. # days delayed: 232
   e. Reason for delay: Project was deferred due to reallocation of labor resources.
   f. Blue Ridge: see Work Order Testing Step 5B for further discussion.
5. TECO Work Order: 15776111—SB Order for Defiance SW Ckt Switcher
   a. Total: $985,830
   b. Need Date: 5/31/19
   c. In-Service date: 12/5/19
   d. # days delayed: 188
   e. Reason for delay: This particular work was delayed due to additional work required that was identified after the project began.
   f. Blue Ridge: This project was reviewed during the field verification and found to be prudent.
6. TECO Work Order: 16622904—Equip Investigate/Repair - Transformer O
   a. Total: $2,322,875
   b. Need Date: 11/5/19
   c. In-Service Date: 10/20/20
   d. # days delayed: 350
   e. Reason for delay: This RPA was created with the need date only one month after the project was identified. This did not take into account the need to go through the transfer process for the transformer nor the needed work at the site prior to installation
   f. Blue Ridge: Explanation is not unreasonable.
7. TECO Work Order: IF-TW-000025-1—TE - Holland Replace Office Roof
   a. Total: $392,419
   b. Need Date: 12/31/17
   c. In-Service Date: 5/1/18
   d. # days delayed: 121
   e. Reason for delay: n/a; However, the project did not start according to the original schedule due to delay in contract issuance and contractor ability to mobilize.
   f. Blue Ridge: see Work Order Testing Step 5B for further discussion.

T5B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

Blue Ridge found three work orders / projects that were not closed timely after the work was complete and recommended adjustments.

1. OECO Work Order: 13300165—Mantua Sub-2012 SCADA Installations on D
   a. # days delayed: 637
   b. Total: $1,008,602
   c. Need Date: 8/1/18
   d. AFUDC Accrued: $208,617.38 will be made in March 2021.
   e. Companies' explanation: After further review, it was determined that the assets were ready for their intended use as of May 2017 but were not in-serviced because of other SCADA communication delays. During this delay, between May 2017 and April 2020, AFUDC continued to accrue. The work order should have been in-serviced as of May 2017 since the assets were ready for their intended use. A manual AFUDC adjustment in the amount of **$208,617.38 will be made in March 2021**. The Companies will include an adjustment to the Rider DCR revenue requirement in a future Rider DCR filing for the cumulative revenue requirement impact.[149]
   f. Blue Ridge: As a result of the delay in placing the project in service, AFUDC was over accrued and plant in service is overstated. Blue Ridge has estimated the impact to OE DCR revenue requirement to be $(31,007). **[ADJUSTMENT #4].**
2. OECO Work Order: 14431541—CARROLL SUB INSTALL SCADA
   a. # days delayed: 232
   b. Total: $950,148
   c. Need Date: 12/31/19
   d. AFUDC Accrued: $78,369.72 will be made in March 2021.
   e. Companies' explanation: After further review, it was determined that there was a period between May 2016 and March 2019 where the project was delayed due to funding constraints and issues with communications equipment. The project should have been flagged as suspended and the AFUDC would have been suspended during this period as well. A manual AFUDC adjustment in the amount of **$78,369.72 will be made in March 2021**. The Companies will include an adjustment to the Rider DCR revenue requirement in a future Rider DCR filing for the cumulative revenue requirement impact.[150]
   f. Blue Ridge: As a result of failure to suspend the project, AFUDC was over accrual and plant in service is overstated. Blue Ridge has estimated the impact to OE DCR revenue requirement to be $(11,373). **[ADJUSTMENT #5].**
3. TECO Work Order: IF-TW-000025-1—TE - Holland Replace Office Roof
   a. # days delayed: 121
   b. Total: $392,419
   c. Need Date: 12/31/17

[149] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-003..
[150] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-003..

d. AFUDC Accrued: $11,052.38, which should be reversed in March 2021
e. Companies' explanation: Based on the timing of the last significant invoice and the fact that internal work was largely completed by December 2017, the asset (the new roof) should have been placed in-service in that month, rather than in May 2018. It appears that the work order closing was delayed due to human error and/or employee turnover. For those reasons the Companies intend to remove the AFUDC incurred in 2018 of **$11,052.38, which should be reversed in March 2021.** The Companies will include an adjustment to the Rider DCR revenue requirement reconciliation in a future Rider DCR filing. [151] The amount of over-accrued depreciation was $15,455.71. The Companies will make an adjustment for these items for the cumulative Rider DCR revenue requirement impact in a future Rider DCR filing.[152]
f. Blue Ridge: As a result of the delay in placing the project in service, AFUDC was over accrual and plant in service is overstated. Blue Ridge has estimated the impact to TE DCR revenue requirement to be $(1,406). **[ADJUSTMENT #6].**

T6: Continuing Property Records
T6A: Do the Continuing Property Records support the asset completely and accurately?

The support for the continuing property records encompasses the scope and justification for each project, the detail that supports the cost, the retirement, and cost of removal detail, if appropriate, and the application of the proper FERC accounts. Blue Ridge found that, while we are recommending several adjustments to plant-in-service balances, in general, the Companies' continuing property records supported the assets.

T7: Cost Categories
T7A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?
T7B: For "other" (referring to T1E above), are the description and costs not unreasonable?

Blue Ridge reviewed the sampled work orders and found that the cost categories are not unreasonable with the exception of the inclusion of FirstEnergy's Long-Term Incentive Compensation (FE LTIP). The Company included costs in the DCR related to FE LTIP.

According to the FirstEnergy's 2021 Proxy Statement, FirstEnergy has a long-term incentive program that is described as "Variable cash and equity compensation designed to reward the achievement of longer-term goals and drive shareholder value and growth" and that is awarded to Named Executive Officers (NEOs). [153] The FE LTIP is comprised entirely of performance-adjusted RSUs with two-thirds of the earned award payable in Company stock and one-third of the earned award payable in cash.[154] The 2018–2020 FE LTIP was comprised of the following two performance measures, which were weighted equally: Cumulative Operating EPS and Average Capital Effectiveness.[155] These performance measures support continued financial improvement

[151] FirstEnergy's response to 2020 audit Data Request BRC Set 10-INT-006.
[152] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-008.
[153] FirstEnergy 2021 Proxy Statement and Notice of Annual Meeting of Shareholders, page 37.
[154] FirstEnergy 2021 Proxy Statement and Notice of Annual Meeting of Shareholders, page 42.
[155] FirstEnergy 2021 Proxy Statement and Notice of Annual Meeting of Shareholders, pages 42–43.

and increase focus on earnings across the Company's Regulated Distribution and Regulated Transmission businesses. According to the Companies, the performance measures create a direct line of sight for executives to balance the value of investments with the earnings they produce and drive shareholder value. In addition, Average Capital Effectiveness measures the financial effectiveness of investment in operational assets over the performance period. A high ratio indicates the business generates larger returns on its investment in operational assets and vice versa.[156]

The LTIP rewards behavior that promotes the interest of shareholders. Excessive focus on increasing profitability and share price growth can harm customers. Investments included in the Rider DCR can be based on decisions to retire and replace assets that are financially driven rather than risk driven.

For example, between rate cases, during periods of slow revenue growth, a company may reduce expenses to maintain profitability. While reducing expenses can and should benefit ratepayers, taken to an extreme, it can harm customers. For example, expenses can be reduced to increase profitability by deferring utility plant maintenance (resulting in safety issues or outages). Further, expenses can be reduced by failing to adequately staff Customer Services, which could lead to difficulties in, for example, accessing customer service to report leaks or outages. Customer services would also have long wait times for other inquiries or complaints if the company were understaffed in order to reduce costs and drive up profitability.

Due to the LTIP's focus on shareholder interest (which can be detrimental to customers), Blue Ridge recommends that all the costs of the LTIP included in Rider DCR be removed. Removing the LTIP costs reduces the plant in service. Blue Ridge has estimated the impact to CEI DCR revenue requirement to be $(89,959), OE DCR revenue requirement to be $(104,226), and TE DCR revenue requirement to be $(34,444). **[ADJUSTMENT #7].**

T8: Replacement projects
T8A: Were assets retired?

Blue Ridge identified 23 replacement work order / projects. Seven of those replacement work orders / projects that had no retirement nor cost of removal charges. Blue Ridge requested additional information and found that because these work orders / projects were not fed by a work management system, manual intervention was required. While the recording of retirements and cost of removal appears to be a timing issue, Blue Ridge is recommending adjustments to the DCR revenue requirements to ensure the proper recognition on the Rider DCR revenue requirements.

1. CECO Work Order: 15599597—2018 Cleveland Resurf Proj - CEI UG MH
    a. Total: $89,884.91
    b. Estimate of COR: $5,197.56
    c. Estimate of Retirement: $2,902.23[157]
    d. Companies' explanation: Work order is not yet unitized and will be manually unitized (since not fed by a work management system) and the cost of removal estimate will be updated and the retirement recorded at the time of unitization. The Companies

[156] FirstEnergy 2021 Proxy Statement and Notice of Annual Meeting of Shareholders, pages 42–43.
[157] FirstEnergy's response to 2020 audit Data Request Set 11-INT-005.

will include adjustments for the cumulative revenue requirement impact as part of the reconciliation in a future Rider DCR filing once unitized.[158]
   e. Blue Ridge recommends that, when the actual retirements and cost of removal are known, they be recorded. Based on the Company's estimate, Blue Ridge estimates the effect on CE DCR revenue requirements to be $(6) [**ADJUSTMENT #8]**.

2. OECO Work Order: IF-OE-000131-1—OE - Elyria Remove UST/Add AST
   a. Total: $436,786
   b. Companies' explanation: Work order was manually unitized in December 2020 (since not fed by a work management system). The cost of removal estimate was updated and a retirement of $150,661 was recorded.[159]
   c. COR: $7,201.92
   d. COR Date: 12/2020[160]
   e. Blue Ridge recommends that retirements and cost of removal be recorded. Blue Ridge estimates the effect on OE DCR revenue requirements to be $(792) [**ADJUSTMENT #9]**.
3. OECO Work Order: IF-OE-000132-1—OE - Massillon SC Remove UST/Add AST
   a. Total: $622,765
   b. Companies' explanation: Work order was manually unitized in December 2020 (since not fed by a work management system). The cost of removal estimate was updated and a retirement of $5,637.52 was recorded.[161]
   c. COR: $11,784.96
   d. COR Date: 12/2020[162]
   e. Blue Ridge recommends that retirements and cost of removal be recorded. Blue Ridge estimates the effect on OE DCR revenue requirements to be $(29,541) [**ADJUSTMENT #10]**.
4. OECO Work Order: IF-OE-000135-1—OE - Fairlawn 6 Rpl Fence Enclosure
   a. Total: $107,247
   b. Estimate of COR: $8,447.15
   c. Estimate of Retirement: $2,476.49[163]
   d. Companies' explanation: Work order is not yet unitized and will be manually unitized (since not fed by a work management system) and the cost of removal estimate will be updated and the retirement recorded at the time of unitization. The Companies will include adjustments for the cumulative revenue requirement impacts as part of the reconciliation in a future Rider DCR filing once unitized.[164]
   e. Blue Ridge recommends that, when the actual retirements and cost of removal are known, they be recorded. Based on the Company's estimate, Blue Ridge estimates the effect on OE DCR revenue requirements to be $2,383 [**ADJUSTMENT #11]**.

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[158] FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
[159] FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
[160] FirstEnergy's response to 2020 audit Data Request Set 11-INT-004.
[161] FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
[162] FirstEnergy's response to 2020 audit Data Request Set 11-INT-004.
[163] FirstEnergy's response to 2020 audit Data Request Set 11-INT-005.
[164] FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.

5. OECO Work Order: IF-OE-000136-1—OE - Fairlawn 4 Replace Roof Rf03
    a. Total: $256,760
    b. Companies' explanation: Work order was manually unitized in December 2020 (since not fed by a work management system). The cost of removal estimate was updated and a retirement of $12,535.04 was recorded.[165]
    c. COR: $7,911.20
    d. COR Date: 12/2020[166]
    e. Blue Ridge recommends that, when the actual retirements and cost of removal are known, they be recorded. Based on the Company's estimate, Blue Ridge estimates the effect on OE DCR revenue requirements to be $(740) [**ADJUSTMENT #12]**.
6. OECO Work Order: IF-OE-000137-1—OE - Fairlawn 4 Replace Roof Rf04
    a. Total: $463,839
    b. Companies' explanation: Work order was manually unitized in December 2020 (since not fed by a work management system). The cost of removal estimate was updated and a retirement of $25,632.08 was recorded.[167]
    c. COR: $19,696.16
    d. COR Date: 12/2020[168]
    e. Blue Ridge recommends that retirements and cost of removal be recorded. Blue Ridge estimates the effect on OE DCR revenue requirements to be $(429) [**ADJUSTMENT #13]**.
7. OECO Work Order: IF-SC-000247-1—SvcCo - Fairlawn Remittance Ctr Reno
    a. Total: $694,310
    b. Companies' explanation: Work order was manually unitized in December 2020 (since not fed by a work management system). The cost of removal estimate was updated and a retirement of $38,373.72 was recorded.[169]
    c. COR: $8,491.50
    d. COR Date: 12/2020[170]
    e. Blue Ridge recommends that retirements and cost of removal be recorded. Blue Ridge estimates the effect on OE DCR revenue requirements to be $(1,582) [**ADJUSTMENT #14]**.

Blue Ridge recommends that the next DCR audit include a review of the previous seven work orders to ensure that the retirements and Cost of removal were recorded and that the estimates were trued up to actual.

T8B: Was the date of retirement in line with the asset replacement date?

For the retirements that were recorded, Blue Ridge reviewed the retirement and cost of removal dates against the in-service dates and found that the dates fell within the scope period of November 30, 2019, to December 31, 2020, and therefore are not unreasonable.

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165 FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
166 FirstEnergy's response to 2020 audit Data Request Set 11-INT-004.
167 FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
168 FirstEnergy's response to 2020 audit Data Request Set 11-INT-004.
169 FirstEnergy's response to 2020 audit Data Request Set 9-INT-010.
170 FirstEnergy's response to 2020 audit Data Request Set 11-INT-004.

T8C: Is the amount of the retired asset not unreasonable?

Retired assets are based on the original cost of the asset retired. We found nine work orders in which retirements had not been recorded.

1. CECO Work Order: 13509122—NB USA Waste Inc., Geneva Landfill (PJM
   a. Total: $628,039
   b. Retirements Recorded: $0
   c. Retirements to be Recorded: unknown
   d. Cost of Removal Recorded: $(602,226)
   e. Companies' explanation: Retirements were recorded in March 2016.[171] In a follow-up response, the Companies' indicated that no retirement has been recorded yet as the work order is not yet unitized. The work order will be manually unitized (since not fed by a work management system), and the retirements will be recorded at the time of unitization.[172]
   f. Blue Ridge recommends that, when the actual retirements are known, they be recorded and that the next audit confirm that the DCR revenue requirements was adjusted.
2. CECO Work Order: 14861458—E55th St Broadway to Superior - CEI UG
   a. Total: $738,285
   b. Retirements Recorded: $0
   c. Retirements to be recorded: $292,591.72[173]
   d. Cost of Removal Recorded: $(63,501)
   e. Plant in service is overstated by $292,591.72.
   f. Companies' explanation: Retirements recorded in March 2021.[174]
   g. Blue Ridge recommends that retirements be recorded. Blue Ridge estimates the effect on CE DCR revenue requirements to be $(52,688) [**ADJUSTMENT #15]**.
3. CECO Work Order: CE-001603-DO-MSTM—Total Distribution Line
   a. Total: $980,220
   b. Retirements Recorded: $0
   c. Retirements to be recorded: $ 118,310
   d. Cost of Removal Recorded: $477,735
   e. Plant in service is overstated by $118,310
   f. Companies' explanation: Work order was unitized in December 2020 and retirements of $118,309.56 were recorded.[175]
   g. Blue Ridge recommends that retirements be recorded. Blue Ridge estimates the effect on CE DCR revenue requirements to be $(23,726) [**ADJUSTMENT #16]**.
4. OECO Work Order: 16616511—Relocate Service
   a. Total: $14,159
   b. Retirements Recorded: $0

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[171] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[172] FirstEnergy's response to 2020 audit Data Request Set 11-INT-006.
[173] FirstEnergy's response to 2020 audit Data Request Set 11-INT-006.
[174] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[175] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.

   c. Retirements to be recorded: $971
   d. Cost of Removal Recorded: $2,290
   e. Plant in service is overstated by $971
   f. Companies' explanation: Work order was unitized in December 2020 and retirements of $970.58 were recorded.[176]
   g. Blue Ridge recommends that retirements be recorded. Blue Ridge estimates the effect on OE DCR revenue requirements to be $(156) [**ADJUSTMENT #17]**.

5. TECO Work Order: 15776111—SB Order for Defiance SW Ckt Switcher
   a. Total: $985,830
   b. Retirements Recorded: $0
   c. Retirements to be recorded: $16,590
   d. Cost of Removal Recorded: $23,059
   e. Plant in service is overstated by $16,590
   f. Companies' explanation: Work order was unitized in May 2020 and no retirements were recorded in error. Retirements of $16,590.16 have been recorded in March 2021.[177]
   g. Blue Ridge recommends that retirements be recorded. Blue Ridge estimates the effect on TE DCR revenue requirements to be $(2,821) [**ADJUSTMENT #18]**.

6. TECO Work Order: 15997031—Commercial
   a. Total: $409,329
   b. Retirements Recorded: $0
   c. Retirements to be recorded: $2,993
   d. Cost of Removal Recorded: $2,876
   e. Plant in service is overstated by $2,993
   f. Companies' explanation: Work order was unitized in December 2020 and retirements of $2,992.98 were recorded.[178]
   g. Blue Ridge recommends that retirements be recorded. Blue Ridge estimates the effect on TE DCR revenue requirements to be $(537) [**ADJUSTMENT #19]**.

Blue Ridge found an additional three work orders that, as of November 30, 2020, were in service, but not unitized. The Companies stated that they will be manually unitized and the retirement will be recorded at the time of unitization.[179]

7. OECO Work Order: 16080601—Equip Investigate/Repair - Circuit Break
   a. Total: $350,424
   b. Retirements Recorded: $0
   c. Retirements to be recorded: unknown
   d. Cost of Removal Recorded: $4,492
   e. Plant in service is overstated by an undetermined amount.
   f. Companies' explanation: Work order is not yet unitized and will be manually unitized (since not fed by a work management system) and the retirements recorded at the

[176] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[177] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[178] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[179] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.

time of unitization. The Companies will include adjustments for the cumulative revenue requirement impacts as part of the reconciliation in a future Rider DCR filing once unitized.[180] In a follow-up response, the Companies indicated that no retirement has been recorded yet as the work order is not yet unitized. The work order will be manually unitized (since not fed by a work management system), and the retirements will be recorded at the time of unitization.[181]

g. Blue Ridge recommends that, when the actual retirements are known, they be recorded and that the next audit confirm that that the DCR revenue requirements was adjusted.

8. OECO Work Order: 16405672—Equip Investigate / Repair - Regulator
    a. Total:
    b. Retirements Recorded: $0
    c. Retirements to be recorded: unknown
    d. Cost of Removal Recorded: $3,250
    e. Plant in service is overstated by an undetermined amount.
    f. Companies' explanation: Work order is not yet unitized and will be manually unitized (since not fed by a work management system) and the retirements recorded at the time of unitization. The Companies will include adjustments for the cumulative revenue requirement impacts as part of the reconciliation in a future Rider DCR filing once unitized.[182] In a follow-up response, the Companies' indicated that no retirement has been recorded yet as the work order is not yet unitized. The work order will be manually unitized (since not fed by a work management system), and the retirements will be recorded at the time of unitization.[183]
    g. Blue Ridge recommends that, when the actual retirements are known, they be recorded and that the next audit confirm that that the DCR revenue requirements was adjusted.

9. OECO Work Order: 16477291—Repairs associated with MH 5 Fire in You
    a. Total: $253,966
    b. Retirements Recorded: $0
    c. Retirements to be recorded: unknown
    d. Cost of Removal Recorded: $96,816
    e. Plant in service is overstated by an undetermined amount
    f. Companies' explanation: work order is not yet unitized and will be manually unitized (since not fed by a work management system) and the retirements recorded at the time of unitization. The Companies will include adjustments for the cumulative revenue requirement impacts as part of the reconciliation in a future Rider DCR filing once unitized.[184] In a follow-up response, the Companies' indicated that no retirement has been recorded yet as the work order is not yet unitized. The work order will be

[180] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[181] FirstEnergy's response to 2020 audit Data Request Set 11-INT-006.
[182] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.
[183] FirstEnergy's response to 2020 audit Data Request Set 11-INT-006.
[184] FirstEnergy's response to 2020 audit Data Request Set 9-INT-012.

manually unitized (since not fed by a work management system), and the retirements will be recorded at the time of unitization.[185]

g. Blue Ridge recommends that, when the actual retirements are known, they be recorded and that the next audit confirm that that the DCR revenue requirements was adjusted.

Blue Ridge Comments and Recommendations: Several of the work orders within the scope period of January 1, 2020, through December 31, 2020, did not have retirements and/or Cost of Removal recorded. The Company process is that they do not record retirements when the work orders are placed in service, which means transferred from FERC 107 (CWIP) to FERC 106-(CCNC). The retirements and COR are recorded when the work order is unitized, which means transferred from FERC 106 to FERC 101. Therefore, the timing of when the projects are added to plant versus when the retirements and COR are recorded creates an overstatement of plant at any given time.

For purposes of the DCR that overstatement would be when work orders are in service and not unitized within the same calendar year or DCR scope period. This process makes the timely unitization of work orders more critical. To the extent retirements are delayed Utility Plant is overstated, which creates an over accrual of Depreciation. This process also brings to the forefront the importance of maintaining a current work order backlog and not allowing work orders to linger waiting to be unitized.

Blue Ridge recommends that the DCR revenue requirements be adjusted to reflect the retirements and COR that were not recorded on in-serviced work orders as of December 31, 2020. As the delays in recording retirements and cost of removal is a timing issue, we recognize that the effect on the DCR revenue requirements is self-correcting. However, to ensure that the DCR revenue requirements reflects the recording of retirements, we recommend that the Companies demonstrate in the next audit how those retirements and COR included in this report were individually adjusted for the DCR revenue requirement.

T8D: Was salvage recorded?

Salvage is captured in most instances on an aggregate basis. Scrap is sold from a separate work order to avoid individual scrap transactions and additional paperwork. This procedure is normal for utilities. Salvage is applied to the work order, using cost element 650974—Sale of Property-Proceeds, and amounts in this cost element settle 100% to GL108 for both blanket and specific work order projects.[186]

T8E: Was cost of removal charged? Is the amount not unreasonable?

For specific work orders, all costs charged to the work order are derived from CWIP/RWIP/Expense based on the current work order estimate in PowerPlan. Charges to the work orders are grouped by charge type (Material, Labor, Equipment, Contractor, and CIAC) and settled to construction work and process, cost of removal, or expense based on the work order estimate. These estimates are either sent by a work management system like CREWS or are manually entered by the work order creator. At completion of the work, an as-built is entered to

[185] FirstEnergy's response to 2020 audit Data Request Set 11-INT-006.
[186] FirstEnergy's response to 2019 audit Data Request BRC Set 6-INT-001.

reflect how the work was completed in the field. Blanket work orders have a settlement rule that does not change and is set based on the type of work.[187]

Blue Ridge found two work orders with negative cost of removal.

1. CECO Work Order: 13509122—NB USA Waste Inc., Geneva Landfill (PJM
   a. Retirements Recorded: $0
   b. Cost of Removal Recorded: $(602,226)
   c. Companies' explanation: In the event that the CIAC amount exceeds the total plant cost and drives the plant balance negative, a process is run called CIAC Spillover that will move the negative CWIP balance from 107 CWIP to 108 RWIP. Any time another charge comes into 107 CWIP, the CIAC Spillover reverses and PowerPlant will wait until three months has passed with no other charges before running again and moving the negative balance from 107 CWIP to 108 RWIP. In March 2020, the final engineering drawings and records (the As-Built) were completed by Burns & McDonnell and charged to the project. This triggered the reversal of the CIAC Spillover and in August 2020, when three months had passed with no further charges, the process ran again, resulting in a debit to 107 CWIP. Because this project was in-serviced, the debit balance moved to 106 Plant in Service Not Classified, which is the amount included in BRC Set 2-INT-001 Attachment 3.[188]
   d. Blue Ridge Comment: A credit of a CIAC to RWIP has the same impact as a credit of CIAC to Utility plant. Both reduce net plant. Therefore, no adjustment is necessary.
2. CECO Work Order: 14861458—E55th St Broadway to Superior - CEI UG
   a. Retirements Recorded: $0
   b. Retirements to be recorded: $292,591.72[189]
   c. Cost of Removal Recorded: $(63,501)
   d. Blue Ridge found that the retirements would have been booked at the same time as Cost of Removal and in the scope period. Explanation is not unreasonable.

T9: Field Verification
    T9A: Is the project a candidate for field verification?

Field Inspections

Blue Ridge selected thirteen projects for field verification from the work order sample. The purpose of the field verification was to determine whether the assets have been installed per the work order scope and description and whether they are used and useful in rendering service to the customer. The work order/project selection criteria were assets that can be physically seen and were installed within the scope period of this review. Due to the physical restrictions related to the COVID-19 pandemic, physical inspections were performed virtually. Blue Ridge's engineer, with assistance from FirstEnergy representatives, conducted "desk-top" field verifications on April 1 and 12, 2021, to accommodate various subject-matter expert and project manager availability. Blue Ridge was provided with information for each work order / project. The Companies provided supporting documentation, including schematics, one-line diagrams, project justification statements,

[187] FirstEnergy's response to 2019 audit Data Request BRC Set 6-INT-001.
[188] FirstEnergy's response to 2020 audit Data Request BRC Set 9-INT-007.
[189] FirstEnergy's response to 2020 audit Data Request BRC Set 11-INT-006.

photographs, and other detailed information of the installed assets. The completed review and supporting documentation are included as workpapers with this report.

The following projects were inspected:

1. CECO Work Order: 12873413—Review ODOT routes & comment on CEI UG
    a. Project Description: ODOT Opportunity Corridor is a transportation and economic development project aimed at connecting I-490 to the University Circle area. The estimated $331 MM in funding is from State and Federal sources. FE involvement consists of relocating pole lines and underground facilities for the new roadway from the I-490/E.55th. intersection to the E.105th./Chester Ave. intersection. This OC3 request covers facility relocations at the Kinsman Rd intersection as follows:2021 overhead work estimate: $190,000. 2021 underground work estimate: $230,000
    b. Total: $1,960,749
    c. Actual: $7,897,459
    d. In-Service Date: 10/28/20
    e. Project justification statement, including alternatives considered: Relocation of pole lines and underground facilities for a new roadway from -490/E.55 to E. 105 in support of ODOT's Opportunity Corridor, a transportation and economic development project aimed at connecting interstate 490 to the University Circle neighborhood.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $19,395
        ii. Contractor: $973,334
        iii. Material: $0
        iv. Other: $0
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.
2. CECO Work Order: 13509122—NB USA Waste Inc., Geneva Landfill (PJM
    a. Project Description: WM Renewable Energy, L.L.C., has proposed the addition of 6.4 MW of methane fired generation to the 36 kV circuit from the Sanborn Substation. The generation facility will be located at 4339 Tuttle Road in Ashtabula County, Ohio. The plant will interconnect with The Illuminating Company approximately 1.6 miles to the north, along the Norfolk Southern Railroad tracks north of S. Ridge Road. Geneva Landfill is approximately 8.0 electrical miles from the Sanborn Substation. -cust reinitiated project new estimate requested 1-25-12.
    b. Total: $628,039
    c. Actual: $(776,697)
    d. In-Service Date: 12/13/13
    e. Project justification statement, including alternatives considered: WM Renewable Energy, L.L.C., proposed the addition of 6.4 MW of methane fired generation to the 36 kV circuit from the Sanborn Substation. The generation facility will be located at 4339 Tuttle Road in Ashtabula County, Ohio. The plant will interconnect with The Illuminating Company approximately 1.6 miles to the north, along the Norfolk Southern Railroad tracks north of S. Ridge Road. Geneva Landfill is approximately 8.0 electrical miles from the Sanborn Substation.
    f. Direct Costs (not including Overheads, AFUDC, other):

        i. Labor: $38,702
        ii. Contractor: $56,190
        iii. Material: $73,008
        iv. Other: $292
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

3. CECO Work Order: 14861458—E55th St Broadway to Superior - CEI UG
    a. Project Description: Manhole casting adjustments are required for sections of roadway being re-paved. The amount of adjustment is determined by the finish elevation of the street surface. The number of manhole adjustments necessary each year are dependent on the municipalities and their roadway improvement budgets and usually numbers between 250 and 300.
    b. Total: $738,285
    c. Actual: $1,695,848
    d. In-Service Date: 1/13/20
    e. Project justification statement, including alternatives considered: Adjust manhole castings per municipalities' schedules. Manhole casting adjustments are required for sections of roadway being re-paved.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $152,003
        ii. Contractor: $339,477
        iii. Material: $68,394
        iv. Other: $0
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

4. CECO Work Order: PA206595861—PO FW: Circuit JY-H016JY (401200016) 201
    a. Project Description: Replace UG network and ducted cables at failure.
    b. Total: $105,469
    c. Actual: $9,976,807
    d. In-Service Date: 8/24/20
    e. Project justification statement, including alternatives considered: Replace underground network and ducted cables at failure. Work is done when equipment fails.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $30,758
        ii. Contractor: $25,843
        iii. Material: $5,557
        iv. Other: $0
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

5. OECO Work Order: 13300165—Mantua Sub-2012 SCADA Installations on D
    a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on (6) distribution exit breakers and (2) transfer breakers. Install transformer telemetering where not already available. The scope also extends to include adaptive relaying where applicable. Now scheduled 1st quarter 2017

b. Total: $1,008,602
c. Actual: $3,993,037
d. In-Service Date: 4/29/20
e. Project justification statement, including alternatives considered: Install SCADA and telemetering of watts, vars, amps and volts on three distribution exit breakers and one transfer breaker to improve reliability.
f. Direct Costs (not including Overheads, AFUDC, other):
    i. Labor: $138,622
    ii. Contractor: $79,428
    iii. Material: $159,988
    iv. Other: $620
g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

6. OECO Work Order: 14431541—CARROLL SUB INSTALL SCADA
    a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on the distribution exit breakers at Carrol Sub.Replace breakers per field personnel's request. (10 2014)
    b. Total: $950,148
    c. Actual: $1,009,777
    d. In-Service Date: 8/19/20
    e. Project justification statement, including alternatives considered: Install SCADA control and telemetering of watts, vars, amps, and volts on the distribution exit breakers at Carrol substation to improve reliability.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $249,380
        ii. Contractor: $100,055
        iii. Material: $128,553
        iv. Other: $23,078
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

7. OECO Work Order: 16284137—Stone Rd reconductor for load balance.
    a. Project Description: Reconductor and add a second phase to 1.2 miles West Medina - York between Erhart road and Beck road and revise protection. Crews # OE-19-190828-090553Order# 16208137
    b. Total: $206,309
    c. Actual: $253,907
    d. In-Service Date: 3/17/20
    e. Project justification statement, including alternatives considered: Reconductor and add a second phase to 1.2 miles West Medina - York between Erhart Road and Beck Road and revise protection.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $69,991
        ii. Contractor: $30,188
        iii. Material: $11,649
        iv. Other: $277

   g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

8. OECO Work Order: 16477291—Repairs associated with MH 5 Fire in You
   a. Project Description: OE - Blanket - Condition - formerly Fix it now
   b. Total: $253,966
   c. Actual: $1,135,972
   d. In-Service Date: 3/19/20
   e. Project justification statement, including alternatives considered: A fire occurred in MH-5 at the intersection of W Federal & S Phelps St in Youngstown, OH on Thursday 2/20/20. The fire in MH-5 destroyed and outage all cables in the manhole. Secondary and two primary 4kV circuits were affected in MH-5.
   f. Direct Costs (not including Overheads, AFUDC, other):
      i. Labor: $91,195
      ii. Contractor: $5,138
      iii. Material: $16,268
      iv. Other: $212
   g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

9. OECO Work Order: IF-OE-000132-1—OE - Massillon SC Remove UST/Add AST
   a. Project Description: OE - Massillon SC Remove Underground Storage Tank/Add Aboveground Storage Tank
   b. Total: $622,765
   c. Actual: $463,477
   d. In-Service Date: 6/21/19
   e. Project justification statement, including alternatives considered: Remove underground storage tanks for environmental closure and replace with aboveground storage tanks.
   f. Direct Costs (not including Overheads, AFUDC, other):
      i. Labor: $918
      ii. Contractor: $270,825
      iii. Material: $200,425
      iv. Other: $0
   g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

10. OECO Work Order: IF-SC-000247-1—SvcCo - Fairlawn Remittance Ctr Reno
   a. Project Description: SvcCo - Fairlawn Remittance Ctr Reno
   b. Total: $694,310
   c. Actual: $550,879
   d. In-Service Date: 9/28/17
   e. Project justification statement, including alternatives considered: Business Unit required workstation reconfiguration to support growth within department, align work adjacencies to improve performance, and improve work environments to promote safety and D&I.
   f. Direct Costs (not including Overheads, AFUDC, other):
      i. Labor: $0

        ii. Contractor: $322,478
        iii. Material: $0
        iv. Other: $100
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

11. TECO Work Order: 15776111—SB Order for Defiance SW Ckt Switcher
    a. Project Description: Replace Circuit Switchers at TEPerform engineering only for 138kVSouthwest Defiance Circuit Switcher 13200 and 138kV Fayette Circuit Switcher 13340.
    b. Total: $985,830
    c. Actual: $2,456,951
    d. In-Service date: 12/5/19
    e. Project justification statement, including alternatives considered: These early circuit switchers were built in the 1960s and 1970s. They have a history of mechanical problems and interrupter leaks. S&C stopped making any replacement parts for these models in 2000 and we have essentially exhausted any of our spare parts for these very early switchers, so any component failures will result in a lengthy outage until a different interrupting device is procured and reengineered to fit in the location.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $119,070
        ii. Contractor: $215,161
        iii. Material: $91,845
        iv. Other: $15,475
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

12. TECO Work Order: 16055475—Underground Cable Rejuvenation
    a. Project Description: Distribution Reliability Blanket.
    b. Total: $955,430
    c. Actual: $31,627
    d. In-Service Date: 10/22/20
    e. Project justification statement, including alternatives considered: Outages as a result of multiple Underground Residential Developments (URD) Cable failures. Work was performed to reduce outages and minimize cable repair work under emergency circumstances in the region. This program is used to fund unanticipated cable replacement projects in situations where repair is either not possible or is impractical. The program is limited to (URDs). Alternatives considered: Not replacing the cable and continuing to repair cable faults as they occur, often at premium time when they occur after normal working hours and using silicon injections. However, numerous splices in the existing cable makes this option impractical. Recommended solution - Replace sections of cable in UG locations that have experienced 3 or more failures, have a deteriorated neutral, or have other indicators of unexpected cable failure where repairs can no longer be performed. Also inject silicon compound into the URD cables at locations where there is indication of insulation deterioration.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $14,366
        ii. Contractor: $502,224

iii. Material: $6,605
iv. Other: $0

g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

13. TECO Work Orde: 16622904—Equip Investigate/Repair - Transformer O
    a. Project Description: Replace Failed East Archbold #2 TR (69-12.47 kV, 22 MVA. This is a high priority project as Mobile # 5 is currently in service at this location in place of the failed transformer. Identified a 28 MVA replacement transformer which is located at MetEd. Also replace two ITE breakers (engineer now but breakers could be physically replaced later). The existing transformer has no oil pit.
    b. Total: $2,322,875
    c. Actual: $3,177,558
    d. In-Service Date: 10/20/20
    e. Project justification statement, including alternatives considered: Replace Failed East Archbold #2 TR (69-12.47 kV, 22 MVA. This is a high priority project as Mobile # 5 is currently in service at this location in place of the failed transformer.
    f. Direct Costs (not including Overheads, AFUDC, other):
        i. Labor: $275,728
        ii. Contractor: $506,838
        iii. Material: $828,994
        iv. Other: $16,947
    g. Comments: Blue Ridge found that the work order is considered prudent, used and useful.

The assets of all thirteen projects selected for field verification were confirmed to be installed and used and useful.

Work Order Backlog

Blue Ridge found that the Companies have reduced the number of backlogged work orders by 29% and the associated backlog dollars by 17% from the from the prior 2019 audit.[190] Most of the work orders are Distribution (84%) and individually would not be material to the accumulated reserve for deprecation on an aggregate basis; however, the distribution work orders in the backlog total $22.8 million, which remains significant. Blue Ridge was unable to quantify the potential impact on the accumulated reserve for depreciation.

Table 28: Backlog over 15 Months of Work Order Unitization[191]

Description	Unitization Backlog	Unitization Backlog $
as of 12/31/16	4,032	$62,191,009
as of 12/31/17	3,039	$39,928,597
as of 12/31/18	1,403	$14,122,115
as of 12/31/19	3,308	$42,355,007
As of 12/31/20	2,347	$35,902,687

[191] FirstEnergy's response to 2020 audit Data Request BRC Set-1-INT-037 and 038—Confidential.

In general, a backlog could create problems with recording the replacement of assets that are still in the backlog and have not been unitized. Retirements and Cost of Removal are not recorded for manually unitized work orders until the work order is unitized. Therefore, the longer the backlog, the more the delay. Blue Ridge found that the delayed unitization resulted in retirements and/or Cost of Removal not being appropriately reflected in the Rider DCR.

Blue Ridge recommends that the Companies continue to make a concerted effort to reduce the volume of backlog work orders, both in quantity and dollar value, to return to the 2018 level.

Insurance Recoveries

Insurance recoveries can reduce gross plant and should be taken into consideration in the calculation of the DCR. FirstEnergy stated that there were no insurance recoveries charged to capital for the Companies from December 1, 2019, through November 30, 2020. There are also no insurance recoveries pending for the Companies.[192]

Conclusion—Gross Plant in Service

Blue Ridge's review of gross plant through transactional testing and field inspection of the work order sample had several findings that impact the gross plant included in the Rider DCR. The impacts of these findings are discussed in the Overall Impact of Findings on Rider DCR Revenue Requirements subsection of this report.

ACCUMULATED RESERVE FOR DEPRECIATION

- Determine if the Companies' recovery of the incremental change in Accumulated Reserve for Depreciation are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following accumulated reserve for depreciation ("reserve") incremental change from the prior audit for each company.

Table 29: Incremental Change in Reserve for Depreciation from 11/30/19 to 11/30/20[193]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ (1,459,339,899)	$ (1,536,057,216)	$ (76,717,317)
Ohio Edison Company	(1,522,980,899)	(1,596,214,657)	(73,233,757)
The Toledo Edison Company	(664,513,182)	(696,858,526)	(32,345,344)
Total	**$ (3,646,833,980)**	**$ (3,829,130,398)**	**$ (182,296,418)**

The Actual and Estimated Schedules B-3 support the incremental change to the reserve, which provide the reserve for accumulated depreciation balances by FERC account for distribution, subtransmission, general, and intangible plant and for allocated Service Company general and intangible plant. A separate schedule supports the intangible gross plant balances.

[192] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-020 and 21.
[193] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

Mathematical Verification

Blue Ridge performed mathematical checks on calculations included in the actual and estimated schedules that supported the reserve and checked whether the reserve rolled forward to the revenue requirement calculation correctly. No exceptions were noted.[194]

Source Data Validation

Blue Ridge traced the values used for the actual November 30, 2020, and estimated February 28, 2021, reserve balances to the source documentation. The actual and estimated balances reconciled to the supporting documents.

Impact of Change in Pension Accounting

In similar treatment as to the Gross Plant schedules, the Companies modified the reserve balances to remove the cumulative pre-2007 impact of a change in pension accounting.

Additional Validation Testing

In addition to reconciling the reserve to supporting documentation, Blue Ridge performed additional analysis to validate the reserve balances. Assets are placed in service primarily as (1) an addition of new assets (for example, a new residential sub-division) or (2) a replacement of existing assets. When assets are replaced, the existing assets are retired. Gross plant in service and the depreciation reserve is reduced to reflect that the assets are no longer in service on the books of the Companies. When assets are replaced, the Companies incur cost of removal and, in some cases, receive salvage for the old assets. Thus, the reserve has three components: (1) accumulated depreciation, (2) cost of removal, and (3) salvage. Cost of removal represents the cost of dismantling, demolishing, tearing down, or otherwise removing retired utility plant. Salvage represents the amount received for property retired.

The retirement of assets does not affect net plant in service since the original cost retired reduces gross plant in service and also reduces the reserve. However, the recording of cost of removal decreases the reserve and, therefore, increases net plant in service. Salvage increases the reserve and, therefore, decreases net plant in service.

Of the 63 sampled work orders Blue Ridge obtained as part of the validation testing, 32 work orders were for replacement work, including blanket and project work orders. The Companies provided the cost of the new assets, retirement data, cost of removal, and, if appropriate, salvage for each work order from the PowerPlan Asset Accounting system. Salvage is captured in most instances on an aggregate basis. Scrap is sold from a separate work order to avoid individual scrap transactions and additional paperwork. This procedure is normal for utilities.

Conclusion—Accumulated Reserve for Depreciation

As discussed in testing steps T1 through T9 above, Blue Ridge found adjustments that should be made to the reserve balances to ensure that net plant is appropriately reflected in the DCR. The impacts of these findings are discussed in this report's subsection Overall Impact of Findings on Rider DCR Revenue Requirements.

[194] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

ACCUMULATED DEFERRED INCOME TAXES

- Determine if the Companies' recovery of the incremental accumulated deferred income taxes (ADIT) is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following accumulated deferred income taxes (ADIT) incremental change from the prior audits for each company.

Table 30: Incremental Change in ADIT from 11/30/19 to 11/30/20[195]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ (443,087,058)	$ (447,711,028)	$ (4,623,971)
Ohio Edison Company	(524,038,117)	(538,163,075)	(14,124,958)
The Toledo Edison Company	(137,423,190)	(140,998,071)	(3,574,881)
Total	**$ (1,104,548,365)**	**$ (1,126,872,174)**	**$ (22,323,810)**

The standard ADIT schedules include the FERC 281 and 282 Property Accounts. The Companies' ADIT includes the allocation portion of the ADIT attributed to the Service Company.

Requirement to Reflect ADIT in Rider DCR

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO provide the requirement to reflect Accumulated Deferred Income Taxes (ADIT) within Rider DCR. The Combined Stipulation includes this direction in Section B.2:

> The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case[196] [emphasis added].

During the 2011 audit, Staff further clarified that the treatment of ADIT in the Rider DCR was intended to be the same methodology approved in the last distribution rate case.[197]

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included on the actual and estimated Companies' and Service Company's ADIT Schedules and verified that ADIT rolled forward to the revenue requirement calculation correctly. No exceptions were noted.[198]

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[195] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[196] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[197] Blue Ridge's Compliance Audit of the 2011 Delivery Capital Recovery (DCR) Rider, submitted April 12, 2012, page 52.
[198] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

Source Data Validation

The book-tax differences supporting the Companies' and Service Company's ADIT balances (not including excess deferred income taxes) reconciled to the values reflected in the revenue requirement calculation.

The Companies provided a list of the items included in ADIT for each distribution company and the Service Company.[199] Blue Ridge found the majority of dollars included in ADIT based on temporary differences associated with (1) book and tax depreciation, (2) Section 263A overheads and indirect costs that are required to be expensed for book purposes but capitalized for tax purposes, and (3) repairs that, for book purposes, are capitalized and depreciated over the life of the asset and, for tax purposes, are allowed to be deducted as repairs. The Companies excluded deferred taxes in CWIP, ADIT associated with future use and non-utility property, ATSI land leases, capital lease vehicles, and Smart Meters/Grid/Software. The Companies also exclude the ADIT associated with Pension Restatement (cumulative 2006). In prior audits, the Companies provided explanations for the items that were not clearly identified as being related to plant in service or were not readily apparent that they should be included in the DCR.[200] Similar items were included in this year's filings. Blue Ridge found that the Companies' explanations regarding how each of the items was related to plant in service or should otherwise be included in the DCR to be not unreasonable.

With respect to the normalized and non-normalized property related excess deferred income tax (EDIT) balances included in total ADIT, the Companies did not adopt Blue Ridge's recommended adjustments from the prior audit in Case No. 19-1887-EL-RDR. In response to Blue Ridge's finding that the reflected values did not tie as expected to the approved Stipulation in Case No. 19-1887-EL-RDR, the Companies countered,

> Blue Ridge's misunderstanding of the Stipulation fails to recognize that the Stipulation plainly labels all of the balances reflected therein as "illustrative." While those balances were based upon the Companies' financial reporting for 2017, but were subject to adjustment and therefore were not final. These preliminary balances were used in the Stipulation because they were the best available balances at that time, and they were labeled as "illustrative" in recognition that they were not the actual final balances.[201]

At this time, Blue Ridge maintains its finding and recommendation from the prior audit because (1) the other Parties to the Stipulation filed comments objecting to the Companies' claim that the specified balances were intended to be "illustrative" and (2) the PUCO has not yet rendered a decision. To reconcile to the total property-related EDIT balances reflected in the Stipulation, Blue Ridge recommends the following adjustments, which increase the ADIT offset in rate base by $23,397,318 as of November 30, 2020, and $22,885,159 as of February 28, 2021. These adjustments were computed by carrying forward the prior ending balances and annual amortization Blue Ridge

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[199] FirstEnergy's response to 2020 audit Data Request BRC Set-1-INT-001, Attachment 009—Confidential.
[200] FirstEnergy's response to 2018 audit Data Requests BRC Set-8-INT-002, BRC Set 13-INT-005—Confidential, BRC Set-8-INT-003—Confidential, BRC Set-13-INT-006—Confidential, and BRC Set-8-INT-004—Confidential.
[201] Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company in Case No. 19-1887-EL-RDR, dated 7/27/2020, page 2.

computed in Case No. 19-1887-EL-RDR. See the Tax Cuts and Jobs Act Effects subsection for a detailed discussion.

Table 31: Recommended Adjustments to Total ADIT in Rider DCR

Line	Description	CEI	OE	TE	Total
1	Normalized Property EDIT - 11/30/20 and 2/28/21 (As Filed)	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
2	Normalized Property EDIT - BRC-Recommended	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
3	Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
4	Non-Normalized Property EDIT - 11/30/20 (As Filed)	$ 46,122,573	$ 56,357,311	$ 14,573,778	$ 117,053,661
5	Normalized Property EDIT - BRC-Recommended	$ 49,011,123	$ 66,853,610	$ 15,779,929	$ 131,644,662
6	Difference	$ 2,888,550	$ 10,496,300	$ 1,206,151	$ 14,591,000
7	Non-Normalized Property EDIT - 02/28/21 (As Filed)	$ 44,496,128	$ 54,362,087	$ 14,061,324	$ 112,919,539
8	Normalized Property EDIT - BRC-Recommended	$ 47,281,318	$ 64,494,071	$ 15,222,990	$ 126,998,380
9	Difference	$ 2,785,191	$ 10,131,984	$ 1,161,666	$ 14,078,841
10	Adjustment to Total ADIT - Actual 11/30/20 (Lines 3 + 6)	$ 8,054,629	$ 13,707,883	$ 1,634,807	$ 23,397,318
11	Adjustment to Total ADIT - Estimated 02/28/21 (Lines 3 + 9)	$ 7,951,270	$ 13,343,567	$ 1,590,322	$ 22,885,159

Blue Ridge estimates these effects in correcting the ADIT balances:

ADJUSTMENT #21: Reduced CE DCR revenue requirements by $(795,662)
ADJUSTMENT #22: Reduced OE DCR revenue requirements by $(1,331,512)
ADJUSTMENT #23: Reduced TE DCR revenue requirements by $(158,722)

Conclusion—Accumulated Deferred Income Taxes

In Case No. 19-1887-EL-RDR, Blue Ridge found that the total ADIT offset in rate base did not appropriately reflect the EDIT balances resulting from the Tax Cuts and Jobs Act of 2017 (TCJA), as ordered in Case No. 18-1604-EL-UNC. The Companies' disagreed with the finding and the PUCO has yet to decide the issue. The Tax Cuts and Jobs Act Effects subsection of this report discusses the issue in further detail.

Apart from the unresolved EDIT balances, Blue Ridge found the standard ADIT items, resulting from typical book tax differences, are consistent with prior filings, are related to plant in service, and are not unreasonable.

Depreciation Expense

- Determine if the Companies' recovery of the incremental depreciation expense is not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include incremental depreciation expense for each company from the prior audit as shown in the following table.

Table 32: Incremental Change in Depreciation Expense from 11/30/19 to 11/30/20[202]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 105,851,498	$ 108,460,056	$ 2,608,559
Ohio Edison Company	111,354,161	113,668,175	2,314,014
The Toledo Edison Company	41,096,571	41,802,713	706,141
Total	**$ 258,302,230**	**$ 263,930,944**	**$ 5,628,714**

Schedule B-3.2 for each operating company provides the calculated depreciation expense based on the plant investment. The depreciation (usually referred to as amortization) calculations associated with Other Plant FERC 303 accounts were performed on Schedule Intangible Depreciation Expense Calculation.

Mathematical Verification

The Companies stated the methodology to calculate depreciation expense for OE, CEI, and TE was approved in Case No. 07-551-EL-AIR and must continue to be used in Rider DCR in order to properly calculate incremental depreciation expense. For the Service Company, the Companies did not have an approved methodology for calculating depreciation expense. The Companies created the Service Company depreciation expense schedules for Rider DCR based on net plant in service, which has consistently been used in all Rider DCR filings since inception.[203]

Blue Ridge verified the mathematical accuracy of the depreciation expense calculations and, with the exception of FERC account 398, found them to be appropriate. CEI account 398 reflects a zero, as opposed to negative, net book value on an actual basis, which indicates the related assets are to be accounted for as though they have a finite life. This treatment and logic are consistent with the Companies' handling of intangible account 309.3.[204] Blue Ridge recommends (1) an adjustment to reduce CEI's annual depreciation expense by $4,147 and (2) the Companies review and rectify the formulas for all amortizing accounts by the next filing date. [**ADJUSTMENT #20** reduces CE DCR revenue requirements by $4,158.]

The Rider DCR uses gross plant-in-service balances consistent with the last distribution rate case to develop the depreciation expense component of the revenue requirements. Any revisions to gross plant should be flowed through the Rider DCR model to ensure that the appropriate amount of depreciation expense is included within the DCR.

The plant balances used to calculate the depreciation were linked to the plant schedules and no exceptions were noted. The calculated depreciation expense on Schedule B-3.2 and the Intangible Depreciation Schedule rolled forward to the revenue calculation correctly.[205]

Source Data Validation

The depreciation accrual rates used were from the approved depreciation study as part of Case No. 07-551-EL-AIR. The PUCO Staff presented the results of its study in its Staff Report issued on

[202] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[203] FirstEnergy's response to 2017 audit Data Request BRC Set 11-INT-012.
[204] CEI Rider DCR Compliance Filing dated 1/5/2021, pages 14 and 39.
[205] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

December 4, 2007. The PUCO Order in Case No. 07-551-EL-AIR was issued on January 21, 2009, and directed the Companies to use the accrual rates proposed by the Staff.[206]

Blue Ridge compared the depreciation accrual rates used in the Rider DCR sub-transmission, distribution, and general plant depreciation calculations to the rates within Staff's Reports.[207] The accrual rates used by CE were not unreasonable.

Conclusion—Depreciation Expense

Blue Ridge found that the calculation of depreciation expense was consistent with the methodology used in the last distribution rate case. However, when amortizing accounts reach zero net book value, the Companies should cease to accrue expense because, unlike depreciating accounts, certain general assets and intangibles are assumed to have a finite life. The Rider DCR uses gross plant-in-service balances consistent with the last distribution rate case to develop the depreciation expense component of the revenue requirements. Any revisions to gross plant should be flowed through the Rider DCR model to ensure that the appropriate amount of depreciation expense is included within the DCR.

The depreciation accrual rates used in the Rider DCR are based upon balances as of May 31, 2007. The Companies updated the depreciation study using plant as of December 31, 2013, and provided the updated study to the Commission Staff on June 1, 2015.[208] Since the last depreciation study was based on balances from eight years ago, Blue Ridge had recommended in the DCR year 2018 audit that the Companies perform a deprecation study. As stipulated in Case No. 16-381-EL-UNC, FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023. The Commission has approved the Stipulation in that case.

PROPERTY TAX EXPENSE

- Determine if the Companies' recovery of incremental property taxes are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following incremental property tax expense for each company from the prior audit.

Table 33: Incremental Change in Property Tax Expense from 11/30/19 to 11/30/20[209]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 113,625,090	$ 117,757,093	$ 4,132,003
Ohio Edison Company	95,504,386	101,682,413	6,178,028
The Toledo Edison Company	33,797,539	33,725,127	(72,412)
Total	**$ 242,927,015**	**$ 253,164,634**	**$ 10,237,619**

[206] FirstEnergy's response to 2018 audit Data Request BRC Set 1-INT-022.
[207] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[208] FirstEnergy's response to 2015 audit Data Request BRC Set 1-INT-012—Confidential.
[209] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

The Actual and Estimated Schedules C-3.10 support the incremental calculation of personal and real property taxes based upon the gross plant for the three operating companies. A separate schedule supports the property tax associated with the Service Company plant in service.

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations and validated that the calculation to roll the calculated property taxes forward to the revenue requirement performed correctly. No exceptions were noted.[210]

Source Data Validation

Blue Ridge found the workpapers were well organized and fully sourced. Property tax rates were calculated using the most recent (2020) Ohio Annual Property Tax Return filings and the State of Ohio Assessment.[211] The actual property tax rates were applied to the estimated plant balances to determine the estimated property taxes. The change in property tax rates from 2019 to 2020 were not unreasonable as shown in the following table.

Table 34: Property Tax Rates 2019 and 2020

Description	CE	OE	TE
2019 Property Tax Rates	1.78%	0.93%	1.16%
2020 Property Tax Rates	1.79%	0.94%	1.10%
Difference 2020-2019	0.01%	0.01%	-0.05%
% change	0.39%	0.96%	-4.59%

Conclusion—Property Tax Expense

Blue Ridge found that the calculation of property tax is not unreasonable. As the Rider DCR uses plant-in-service balances to develop the property tax component of the revenue requirements, any revisions to gross plant should be flowed through the Rider DCR model to ensure the appropriate amount of property tax is included within the DCR.

SERVICE COMPANY

- Determine if the Companies' recovery of allocated Service Company plant in service, accumulated reserve, ADIT, depreciation expense, and property tax expense are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following Service Company incremental plant in service, accumulated reserve, ADIT, depreciation expense, and property tax expense for each company.

[210] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[211] FirstEnergy's response to 2020 audit Data Request BRC Set 1-INT-1, Attachment 11-Confidential.

Table 35: Change in Service Company Rate Base and Expense from 11/30/19 to 11/30/20[212]

Description	CEI	OE	TE	Total
Actual 11/30/20				
Gross Plant	$ 119,761,375	$ 145,129,548	$ 63,883,971	$ 328,774,893
Reserve	72,358,769	87,685,996	38,598,133	198,642,898
ADIT	(227,212)	(275,340)	(121,201)	(623,753)
Rate Base	**$ 47,629,817**	**$ 57,718,892**	**$ 25,407,038**	**$ 130,755,748**
Depreciation Expense	$ 3,786,311	$ 4,588,337	$ 2,019,721	$ 10,394,369
Property Tax Expense	60,783	73,659	32,423	166,865
Total Expenses	**$ 3,847,094**	**$ 4,661,996**	**$ 2,052,144**	**$ 10,561,234**
Actual 11/30/19				
Gross Plant	$ 113,835,242	$ 137,948,125	$ 60,722,810	$ 312,506,177
Reserve	65,969,842	79,943,749	35,190,106	181,103,697
ADIT	(5,157,535)	(6,250,017)	(2,751,169)	(14,158,721)
Rate Base	**$ 53,022,934**	**$ 64,254,393**	**$ 28,283,873**	**$ 145,561,200**
Depreciation Expense	$ 4,338,374	$ 5,257,340	$ 2,314,207	$ 11,909,921
Property Tax Expense	60,587	73,420	32,319	166,326
Total Expenses	**$ 4,398,961**	**$ 5,330,760**	**$ 2,346,525**	**$ 12,076,246**
Incremental				
Gross Plant	$ 5,926,133	$ 7,181,423	$ 3,161,161	$ 16,268,717
Reserve	6,388,927	7,742,247	3,408,027	17,539,201
ADIT	4,930,323	5,974,677	2,629,968	13,534,968
Rate Base	**$ (5,393,117)**	**$ (6,535,501)**	**$ (2,876,835)**	**$ (14,805,453)**
Depreciation Expense	$ (552,063)	$ (669,003)	$ (294,486)	$ (1,515,552)
Property Tax Expense	197	238	105	540
Total Expenses	**$ (551,867)**	**$ (668,765)**	**$ (294,381)**	**$ (1,515,012)**

The Compliance Filings include actual November 30, 2020, and estimated February 28, 2021, schedules that present Service Company general and intangible gross plant, reserve, ADIT, and incremental depreciation and property tax expense that are then allocated to the Companies based upon the allocation factors agreed to within the Combined Stipulation.

Authority to Include Service Company Costs and Support for Allocation Factors

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (reaffirmed in Case Nos. 12-1230-EL-SSO[213] and 14-1297-EL-SSO[214]) provide the authority for the Service Company allocation factors used within Rider DCR. The Combined Stipulation includes this direction in Section B.2:

[212] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[213] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11.
[214] Case No. 14-1297-EL-SSO Commission Opinion and Order, March 31, 2016, page 119.

> The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case.[215] (Emphasis added.)

The following allocation factors were used in Case No. 07-551-EL-AIR[216] and were appropriately used in accordance with the Combined Stipulation to allocate Service Company costs in Rider DCR:

Table 36: Service Company Allocation Factors

	CEI	OE	TE	Total
Allocation Factors	14.21%	17.22%	7.58%	39.01%

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included within the Service Company schedules and verified that allocated items rolled forward to the operating companies' schedules correctly as incremental changes from the values used in the last distribution rate case.[217]

Source Data Validation

The Actual November 30, 2020, and Estimated February 28, 2021, general and intangible gross plant balances, reserve, and ADIT were reconciled to their source documentation.[218]

The Service Company depreciation accrual rates and the property tax rates are based upon the weighted average of the Companies' rates using the authorized allocation factors. The approach is not unreasonable.

Additional Validation Testing

As discussed in the Gross Plant subsection of this report, Blue Ridge performed additional validation testing using selected sample work orders. Service Company work orders were included within the performed testing.

Conclusion—Service Company

Blue Ridge found nothing that would indicate that Service Company costs included within Rider DCR are unreasonable.

[215] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.
[216] WP FE response to 2011 Audit Data Request BRC-10-10 and 10-11.
[217] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.
[218] WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential.

Commercial Activity Tax and Income Taxes

- Determine if the Companies' recovery of Commercial Activity Tax (CAT) associated with the revenue requirement are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.
- Determine if the Companies' recovery of associated income taxes associated with the revenue requirement are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following incremental commercial activity tax (CAT) for each company. The CAT is calculated based on the statutory 0.26 percent.

Table 37: Incremental Change in CAT from 11/30/19 to 11/30/20[219]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 369,231	$ 392,830	$ 23,599
Ohio Edison Company	385,594	415,056	29,463
The Toledo Edison Company	98,642	100,300	1,658
Total	**$ 853,467**	**$ 908,186**	**$ 54,719**

The Rider DCR Compliance Filings include the following incremental income tax expense for each company.

Table 38: Incremental Change in Income Tax from 11/30/19 to 11/30/20[220]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 7,078,426	$ 7,432,384	$ 353,958
Ohio Edison Company	8,933,745	9,355,624	421,879
The Toledo Edison Company	1,125,713	1,121,161	(4,553)
Total	**$ 17,137,884**	**$ 17,909,169**	**$ 771,285**

Rider DCR Actual and Estimated Summary Schedules include the calculation for the commercial activity tax and income taxes.

Authority to Include Commercial Activity Tax and Income Tax in Rider DCR

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (reaffirmed in Case Nos. 12-1230-EL-SSO[221] and 14-1297-EL-SSO[222]) provide the authority for the recovery of income taxes and commercial activity tax within Rider DCR. The Combined Stipulation includes this direction in Section B.2:

> Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the

[219] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[220] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[221] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11.
[222] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.

opportunity to recover property taxes, Commercial Activity Tax and associated income taxes[223] (emphasis added).

Mathematical Verification

Blue Ridge performed mathematical checks on the calculation of the commercial activity tax and income tax expense included in the Summary Schedules of the Compliance Filings.[224] No exceptions were noted.

Source Data Validation

FirstEnergy appropriately applied the Commercial Activity Tax (CAT) rate of 0.26% to gross receipts calculated within the Compliance Filings.

The following table shows the composite income tax rates used in the Companies' filings. The composite tax rates should reflect the effective tax rate for federal income tax and the Ohio and municipalities' tax rates as of December 31, 2020. Blue Ridge validated that the 2020 rates reflected in the revenue requirement matched the rates in the Companies' tax provision system.[225] The 2020 composite income tax rates are not unreasonable. The rates were applied to equity return component of the DCR revenue requirement for the actual measurement period.

Table 39: Effective Income Tax Rates Reflected in Companies' Filings for 2020 and 2021[226]

Description	CEI	OE	TE
2020 Effective Income Tax Rates			
Local Effective Tax Rate	2.00%	1.58%	1.61%
Federal Income Tax Rate	21%	21%	21%
2020 Effective Income Tax Rate	22.58%	22.25%	22.27%
2021 Effective Income Tax Rates			
Local Effective Tax Rate	2.00%	1.58%	1.61%
Federal Income Tax Rate	21%	21%	21%
2021 Effective Income Tax Rate	22.58%	22.25%	22.27%
Difference	*0.00%*	*0.00%*	*0.00%*

Conclusion—Commercial Activity Tax and Income Taxes

Blue Ridge found that the commercial activity tax and income tax expense were calculated consistently with prior filings and are not unreasonable. Any adjustments discussed in other subsections of this report will impact the final commercial activity tax and income tax included within the Rider DCR.

[223] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.
[224] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[225] FirstEnergy's response to 2020 audit Data Request BRC Set 7-INT-003—Confidential.
[226] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.

TAX CUTS AND JOBS ACT EFFECT

- Determine if the Companies' implementation of the Tax Cuts and Jobs Act of 2017, is consistent with what was approved by the Commission on July 17, 2019, in Case No. 18-1656-EL-ATA.

In the 2017 DCR Report, Blue Ridge expressed concerns regarding the Companies' treatment of excess accumulated deferred income taxes (EDIT) arising from the Tax Cuts and Jobs Acts (TCJA). Blue Ridge recommended (1) that the amount by which the ADIT balance is revalued is also the amount by which the Companies' must set up a regulatory liability to refund the excess deferred taxes to ratepayers because the tax future obligation to the federal government decreased by 40% and (2) that the Companies apply the average rate assumption method (ARAM) consistent with normalization requirements to update the regulatory liability to address the timing differences for the property reversal.

On November 9, 2018, the Companies filed a Stipulation and Recommendation in Case No. 18-1604-EL-UNC ("Stipulation") which resolved the question about the treatment of the excess deferred income tax balances resulting from the TCJA that was raised by Blue Ridge in the above recommendation. The Companies implemented the Stipulation beginning with the October 1, 2019, Rider DCR Compliance Filing pursuant to an Opinion and Order dated July 17, 2019.[227]

Under the Stipulation, Rider DCR rate base will reflect the gross *normalized* property EDIT balance as of December 31, 2017, and the net *non-normalized* property EDIT balance as of the measurement period.

3) Normalized Property: Amortization of the normalized property EDIT balance in accordance with ARAM and the related cumulative reserve will be accounted for in a new credit mechanism. The cumulative reserve in the credit mechanism will accrue a return in the same manner as Rider DCR to make the Companies whole for the gross normalized property EDIT in Rider DCR rate base.[228]
4) Non-Normalized Property: Amortization of the non-normalized property EDIT balance over 10 years will flow back to customers via the new credit mechanism, while both the gross balance and cumulative reserve will be accounted for in Rider DCR.[229]

The actual amount of the EDIT flowing back to customers will reflect the "final, audited balances" as of December 31, 2017.[230] The treatment of the EDIT balances will commence effective January 1, 2018, and will continue until the balances have been fully amortized.[231]

Source Data Validation

During the investigation of the 2018 DCR Compliance Filing, Blue Ridge issued data requests to ascertain the value of EDIT liability owed to customers. The language was very specific in identifying the "final, audited balances" as quoted below.[232]

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[227] FirstEnergy's response to 2019 audit Data Request BRC Set 5-INT-005—Confidential.
[228] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (a).
[229] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (b).
[230] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (c).
[231] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (d).
[232] FirstEnergy's response to 2018 audit Data Request BRC Set 6-INT-003.

Data Request:

Reference the Stipulation and Recommendation filed on November 9, 2018, in Case No. 18-1604-EL-UNC at page 9. a.

EDIT Amount. The actual amount of EDIT flowing back to customers will reflect the final, audited balances, including a federal and state tax gross up, as of December 31, 2017.

1. Please provide "the final, audited balances" owed to customers, before and after federal and state tax gross up, as of December 31, 2017.

. . .

Response:

1. See BRC Set 6-INT-002 Attachment 1 Confidential

. . .

The following table summarizes the information provided in the Companies' response to 2018 BRC Set 6-INT-002 Attachment 1.

Table 40: Final, Audited EDIT Balances as of December 31, 2017–CONFIDENTIAL[233]

Description	CEI	OE	TE	Total
After-Tax				
Normalized Property	$ (173,640,455)	$ (157,240,782)	$ (42,962,870)	$ (373,844,107)
Non-Normalized Property	(39,321,477)	(89,328,343)	(22,284,682)	(150,934,501)
Non-Property	13,955,944	48,702,820	10,195,533	72,854,297
Total	$ (199,005,987)	$ (197,866,305)	$ (55,052,019)	$ (451,924,311)
[redacted]				
Avg. Tax Rate				
Normalized Property	22.9%	22.5%	21.6%	
Non-Normalized Property	19.8%	23.1%	23.5%	
Non-Property	22.4%	22.1%	21.9%	
[redacted]				
Pre-Tax				
Normalized Property	$ (225,096,763)	$ (202,870,343)	$ (54,795,596)	$ (482,762,701)
Non-Normalized Property	(49,050,345)	(116,207,017)	(29,136,313)	(194,393,675)
Non-Property	17,987,082	62,482,883	13,046,373	93,516,338
Total	$ (256,160,025)	$ (256,594,476)	$ (70,885,536)	$ (583,640,038)

The "final, audited balances" provided in the response matched those presented in Appendix A of the Stipulation filed on November 9, 2018, as well as the Supplemental Stipulation filed on January 25, 2019.

During the investigation of the 2019 DCR Compliance Filing, Blue Ridge compared the property-related EDIT values to the balances in the Stipulation agreed to by the Parties and approved by the Commission. They did not tie out as expected. In response to data requests, the Companies presented various adjustments, some of which on net reduce the total liability owed to customers. The Companies' revisions also reflected reclasses between EDIT categories that should have a net-zero

[233] FirstEnergy's response to 2018 audit Data Request BRC Set 6-INT-002, Attachment 1—Confidential.

impact on the total liability subject to refund, albeit they do impact the period over which the amortizing credits flow back to customers through the new credit mechanism.

The table below presents the Companies' adjustments, which include true-ups to the actual 2017 federal and state tax returns, exclusion of AFUDC equity, which the Companies represented has no associated EDIT, and reconciling differences between the tax provision calculation and PowerTax, a module within the Companies' plant accounting system.

Table 41: Companies' Adjustments to Property EDIT Balances as of December 31, 2017[234]

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 Stipulated	**$173,640,455**	**$157,240,782**	**$ 42,962,870**	**$373,844,107**
Prior Rate Change Differences	(4,578,827)	(3,319,535)	773,840	(7,124,522)
Return to Accural Adjustment - Federal	1,504,585	1,642,652	377,663	3,524,901
Return to Accrual Adjustment - State	(1,922,384)	(1,235,812)	(1,551,330)	(4,709,526)
Reclass Nuclear Item to Non-Normalized Property EDIT	(27,347,558)	-	-	(27,347,558)
Reclass Legacy Items to Non-Normalized Property EDIT	(2,523,139)	(5,053,225)	7,136	(7,569,228)
Other	(169,454)	(298,888)	(28,829)	(497,171)
Normalized Property EDIT - 12/31/17 FE Adjusted	**$138,603,679**	**$148,975,974**	**$ 42,541,350**	**$330,121,003**
Non-Normalized Property EDIT - 12/31/17 Stipulated	**$ 39,321,477**	**$ 89,328,343**	**$ 22,284,682**	**$150,934,501**
Prior Rate Change Differences	651,080	(1,281,139)	163,117	(466,942)
Return to Accural Adjustment - Federal	(3,797,495)	(5,393,127)	(659,021)	(9,849,643)
Return to Accrual Adjustment - State	(479,881)	(682,920)	(784,683)	(1,947,484)
Reclass Nuclear Item to Non-Normalized Property EDIT	27,347,558	-	-	27,347,558
Reclass Legacy Items to Non-Normalized Property EDIT	2,523,139	5,053,225	(7,136)	7,569,228
Reclass to Non-Property EDIT	(264,377)	(691,405)	(3,819)	(959,601)
Exclude AFUDC Equity (No Associated EDIT)	(404,924)	(6,570,080)	(419,798)	(7,394,802)
Transferring Items from Tax Provision into PowerTax	174,876	440,089	(391,741)	223,224
Other	(13,646)	(394,033)	316,546	(91,133)
Non-Normalized Property EDIT - 12/31/17 FE Adjusted	**$ 65,057,807**	**$ 79,808,952**	**$ 20,498,148**	**$165,364,907**
Total Property Related EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Total Property Related EDIT - 12/31/17 FE Adjusted	**$203,661,486**	**$228,784,927**	**$ 63,039,497**	**$495,485,910**

As summarized in the table below, the Companies' property-related EDIT adjustments reduce the total liability owed to customers as of December 31, 2017, by $28,333,097. There is also a reclass adjustment from non-normalized property to non-property which reduces the total property related EDIT balance as of December 31, 2017, in Rider DCR by $959,601. Subject to check, the reclass to non-property should have a net zero impact on the total liability owed to customers.

Table 42: Companies' Adjusted Property EDIT Balance in Rider DCR as of December 31, 2017

Description	CEI	OE	TE	Total
Normalized Property EDIT	$ 173,640,455	$ 157,240,782	$ 42,962,870	$ 373,844,107
Non-Normalized Property EDIT	39,321,477	89,328,343	22,284,682	150,934,501
Total Property EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Adjustments to Liability Owed to Customers	(9,036,069)	(17,092,793)	(2,204,235)	(28,333,097)
Reclasses to Non-Property Category	(264,377)	(691,405)	(3,819)	(959,601)
Reclasses within Property Category	-	-	-	-
Total Property EDIT - 12/31/17 FE Adjusted	**$203,661,486**	**$228,784,927**	**$ 63,039,497**	**$495,485,910**

[234] FirstEnergy's responses to 2109 audit Data Request BRC Set 5-INT-010, Attachment 1—Confidential and BRC Set 16-INT-005, Attachment 1—Confidential.

When asked if the revised balances were reflected in the TCJA case record and, if not, how the Companies obtained authorization to update the balances, the Companies gave this reply:

> The Stipulation and Recommendation filed in Case No. 18-1656-EL-ATA et al. states that the actual amount of EDIT flowing back to customers will reflect the final, audited balances, including a federal and state tax gross up, as of December 31, 2017. The Companies filed compliance tariffs on July 26, 2019 in Case No. 18-1656-EL-ATA reflecting updated balances.[235]

Blue Ridge found the Companies' response to lack clarity, casting doubt on the actual meaning of "final, audited balances." PricewaterhouseCoopers performed the external audit of the December 31, 2017, financial statements, and they issued an unqualified opinion on February 20, 2018—months prior to the Stipulation, filed on November 9, 2018, as well as the Supplemental Stipulation, filed on January 25, 2019. Since no specific true-up provisions exist in the Stipulation to adjust to the 2017 filed tax returns and other later known variables, Blue Ridge recommends restoring the EDIT balances to reflect those agreed to within the settlement and allowing parties to consider the Company's changes, such as the assertion that there is no EDIT associated with AFUDC equity, within the next Rider TSA annual filing. With respect to the reclass adjustments, Blue Ridge is neutral on their adoption since they have no impact on the total agreed upon liability to be refunded to customers. The EDIT categories with varying amortization periods are judgmental to some extent and an audit opinion would not render such definitional determinations official or correct.

Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. The scope of Blue Ridge's current investigation is limited to the property related EDIT balances in Rider DCR. Blue Ridge therefore has not and cannot validate the reclass from property to non-property was appropriately reflected in the new credit mechanism. The following table presents the result of Blue Ridge's recommendation.

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[235] FirstEnergy's responses to 2019 audit Data Request BRC Set 16-INT-007(a).

Table 43: Blue Ridge Recommended Property-Related EDIT Balances as of December 31, 2017

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 Stipulated	$ 173,640,455	$ 157,240,782	$ 42,962,870	$ 373,844,107
Adjustments to Liability Owed to Customers	(5,166,079)	(3,211,583)	(428,656)	(8,806,318)
Reclasses to Non-Normalized Property Category	(29,870,697)	(5,053,225)	7,136	(34,916,786)
Normalized Property EDIT - 12/31/17 FE Adjusted	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Reverse: Adjustments to Liability Owed to Customers	5,166,079	3,211,583	428,656	8,806,318
Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$143,769,758**	**$152,187,557**	**$ 42,970,005**	**$338,927,321**
Non-Normalized Property EDIT - 12/31/17 Stipulated	**$ 39,321,477**	**$ 89,328,343**	**$ 22,284,682**	**$150,934,501**
Adjustments to Liability Owed to Customers	(3,869,990)	(13,881,210)	(1,775,579)	(19,526,779)
Reclass to Non-Property Category	(264,377)	(691,405)	(3,819)	(959,601)
Reclasses from Normalized Property Category	29,870,697	5,053,225	(7,136)	34,916,786
Non-Normalized Property EDIT - 12/31/17 FE Adjusted	**$ 65,057,807**	**$ 79,808,952**	**$ 20,498,148**	**$165,364,907**
Reverse: Adjustments to Liability Owed to Customers	3,869,990	13,881,210	1,775,579	19,526,779
Reverse: Reclass to Non-Property Category	264,377	691,405	3,819	959,601
Non-Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$ 69,192,173**	**$ 94,381,568**	**$ 22,277,546**	**$185,851,287**
Total Property EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Total Property EDIT - 12/31/17 BRC-Rcmd.	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**

Conclusion—Tax Cuts and Jobs Act Effect

The treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated as shown in the table below.

Table 44: Blue Ridge Recommended Property-Related EDIT Balances in Rider DCR Compliance Filing

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$ 143,769,758**	**$ 152,187,557**	**$ 42,970,005**	**$ 338,927,321**
Non-Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$ 69,192,173**	**$ 94,381,568**	**$ 22,277,546**	**$ 185,851,287**
Revised Amortization - 01/01/2018 thru 11/30/20	(20,181,051)	(27,527,957)	(6,497,618)	(54,206,625)
Non-Normalized Property EDIT - 11/30/20 BRC-Rcmd.	**$ 49,011,123**	**$ 66,853,610**	**$ 15,779,929**	**$ 131,644,662**
Revised Amortization - 12/01/2019 thru 02/29/21	(1,729,804)	(2,359,539)	(556,939)	(4,646,282)
Non-Normalized Property EDIT - 02/28/21 BRC-Rcmd.	**$ 47,281,318**	**$ 64,494,071**	**$ 15,222,990**	**$ 126,998,380**

The reconciliation of the total property related EDIT balances to the amounts agreed to in the Stipulation would increase ADIT by $23,397,318 as of November 30, 2020, and $22,885,159 as of February 28, 2021, as shown in the following tables. The adjustments reduce Rider DCR revenue requirements for CE by $(795,662) [**ADJUSTMENT #21**], for OE by $(1,331,512) [**ADJUSTMENT #22**], and for TE by $(158,722). [**ADJUSTMENT #23**].

Table 45: Recommended Adjustment to ADIT in Rider DCR Actual 11/30/20

Description	CEI	OE	TE	Total
Normalized Property EDIT - 11/30/20 and 2/28/21 (As Filed)	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Normalized Property EDIT - BRC-Recommended	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
Non-Normalized Property EDIT - 11/30/20 (As Filed)	$ 46,122,573	$ 56,357,311	$ 14,573,778	$ 117,053,661
Normalized Property EDIT - BRC-Recommended	$ 49,011,123	$ 66,853,610	$ 15,779,929	$ 131,644,662
Difference	$ 2,888,550	$ 10,496,300	$ 1,206,151	$ 14,591,000
Adjustment to Total ADIT - Actual 11/30/20	$ 8,054,629	$ 13,707,883	$ 1,634,807	$ 23,397,318

Table 46: Recommended Adjustment to ADIT in Rider DCR Estimated 2/28/21

Description	CEI	OE	TE	Total
Normalized Property EDIT - 11/30/20 and 2/28/21 (As Filed)	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Normalized Property EDIT - BRC-Recommended	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
Non-Normalized Property EDIT - 02/28/21 (As Filed)	$ 44,496,128	$ 54,362,087	$ 14,061,324	$ 112,919,539
Normalized Property EDIT - BRC-Recommended	$ 47,281,318	$ 64,494,071	$ 15,222,990	$ 126,998,380
Difference	$ 2,785,191	$ 10,131,984	$ 1,161,666	$ 14,078,841
Adjustment to Total ADIT - Estimated 02/28/21	$ 7,951,270	$ 13,343,567	$ 1,590,322	$ 22,885,159

RETURN

- Determine if the Companies return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant, including allocated general plant from FirstEnergy Service Company are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Rider DCR Compliance Filings include the following calculated return on rate base at 8.48% for each company.

Table 47: Incremental Change in Return on Rate Base from 11/30/19 to 11/30/20[236]

Company	11/30/2019	11/30/2020	Incremental
The Cleveland Electric Illuminating Company	$ 40,052,616	$ 42,010,930	$ 1,958,314
Ohio Edison Company	51,498,355	53,886,806	2,388,451
The Toledo Edison Company	6,442,848	6,449,647	6,799
Total	**$ 97,993,818**	**$ 102,347,382**	**$ 4,353,564**

The Rider DCR Summary Schedule includes the calculation for the rate of return and the return on plant using the calculated rate base.

Authority to Collect a Return on Plant-in-Service in Rider DCR

The Combined Stipulation and Order in Case No. 10-0388-EL-SSO (and reaffirmed in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO[237]) provides the capital structure, cost of debt, and return on equity that is allowed in Rider DCR Revenue Requirements. The Combined Stipulation includes this direction in Section B.2:

> The return earned on such plant will be based on the cost of debt of 6.54% and a return on equity of 10.5% determined in the last distribution rate case utilizing a 51% debt and 49% equity capital structure. [238]

[236] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[237] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[238] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.

Mathematical Verification

The rate of return and the return on plant is calculated correctly in accordance with the Combined Stipulation.[239]

Source Data Validation

The capital structure and rates used within Rider DCR agree with the stipulated amounts.

Conclusion—Return

Although the adjustments discussed in other subsections of this report will affect the final return included within the DCR, Blue Ridge found that the calculation of the return component of the DCR is not unreasonable.

RIDER DCR CALCULATION

- Determine if the Companies' revenue requirement calculation for Rider DCR are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed.

The Compliance Filing Summary Schedules pull together the various components allowed within Rider DCR and calculate the revenue requirements based upon the actual November 30, 2020, and estimated February 28, 2021, balances. The Annual Rider DCR Revenue is compared against the Commission-approved Revenue Cap in the Companies' filings.[240]

Mathematical Verification

The various actual November 30, 2020, and estimated February 28, 2021, components, including gross plant, reserve, ADIT, depreciation, and property tax expense, were discussed in other subsections of this report and roll forward into the revenue requirements. Blue Ridge found no exceptions.

Annual Cap

Recovery through the DCR is subject to annual caps. The annual cap has been modified several times since the inception of the Rider DCR. The cap for the filing under review is a composite from two stipulations approved by the Commission.

The Stipulation in Case No. 12-1230-EL-SSO modified the annual cap of the Rider DCR Revenue collected effective June 1, 2014, as follows:

> For the twelve-month period from June 1, 2014, through May 31, 2015, that Rider DCR is in effect, the revenue collected by the Companies shall be capped at $195 million, for the following twelve-month period, the revenue collected under Rider DCR shall be capped at $210 million.[241]

[239] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[240] CEI, OE, and TE Rider DCR Replacement Compliance Filings dated 1/5/21, page 57.
[241] Case No. 12-12-1230-EL-SSO Opinion and Order, July 18, 2012, page 10.

The Stipulation in Case No. 14-1297-EL-SSO modified the annual cap of the Rider DCR Revenue collected as follows:

> The revenue caps for the Delivery Capital Recovery Rider (Rider DCR) will increase annually to $30 million for the period of June 1, 2016, through May 31, 2019; <u>$20 million for the period of June 1, 2019, through May 31, 2022</u>; and $15 million for the period of June 1, 2022, through May 31, 2024 [emphasis added].[242]

The Companies appropriately applied the annual caps in the stipulations in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO that resulted in an annual cap for the 2020 DCR as follows:

Table 48: Companies' Calculation of Annual Cap Prior to Under (Over) Recovery Adjustment[243]

12 months 6/1/15 - 5/31/16		$ 210,000,000
12 months 6/1/16 - 5/31/17		30,000,000
12 months 6/1/17 - 5/31/18		30,000,000
12 months 6/1/18 - 5/31/19		30,000,000
12 months 6/1/19 - 5/31/20		20,000,000
12 months 6/1/20 - 5/31/21	$ 20,000,000	
Prorated for seven months		11,666,667
		$ 331,666,667

Over/Under Recovery

The Stipulations in Case Nos. 10-388-EL-SSO and 12-1230-EL-SSO contain similar language addressing over or under recoveries against the annual caps as follows:

> For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap.[244]

The annual cap analysis included in the January 5, 2021, filing included revenues through November 30, 2020. Using the actual annual revenue, the Companies have a cumulative under recovery of $15,847,315 as shown in the following table.[245]

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[242] Case No. 14-1297-EL-SSO Opinion and Order, March 31, 2016, page 25.
[243] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[244] Case No. 10-0388-EL-SSO Opinion and Order, August 25, 2010, page 12 and Case No. 12-12-1230-EL-SSO Opinion and Order, July 18, 2012, page 10.
[245] WP V&V—FE DCR Compliance Filing 1.5.2021—Confidential.

Table 49: Annual DCR Revenues Vs. Annual Cap through November 30, 2020[246]

Period	Annual Cap	Annual Revenue	Under (Over)	Cum Under (Over)
2012	$ 150,000,000	$ 128,616,253	$ 21,383,747	$ 21,383,747
2013	$ 165,000,000	$ 185,631,927	$ (20,631,927)	$ 751,820
2014	$ 188,750,000	$ 191,709,557	$ (2,959,557)	$ (2,207,737)
2015	$ 203,750,000	$ 207,078,057	$ (3,328,057)	$ (5,535,794)
2016	$ 227,500,000	$ 216,681,105	$ 10,818,895	$ 5,283,099
2017	$ 257,500,000	$ 262,678,121	$ (5,178,121)	$ 104,978
2018	$ 287,500,000	$ 291,199,888	$ (3,699,888)	$ (3,594,910)
2019	$ 311,666,667	$ 309,630,496	$ 2,036,171	$ (1,558,739)
YTD 11/30/2020	$ 331,666,667	$ 314,260,613	$ 17,406,054	$ 15,847,315

In addition to the total cap, the Companies have individual annual caps that limit recovery through the Rider DCR. The following table shows the Companies' revenue to the aggregate annual cap (adjusted for the cumulative under [over] recovery) and the allocated Companies' caps. Blue Ridge confirmed the Actual Revenue through November 30, 2020, included in the Companies' filing.[247] Each of the operating companies' DCR revenues through November 30, 2020, are below the annual cap.

Table 50: 2020 Annual DCR Revenue to Aggregate and Allocated Caps through November 30, 2020[248]

Period	Aggregate Annual Cap	CEI	OE	TE
% of Aggregate Annual Cap		70%	50%	30%
2020 Annual Cap	$ 331,666,667			
2019 Cumulative Under (Over)	$ (1,558,739)			
Adjusted 2020 Annual Cap	$ 330,107,927	$ 231,075,549	$ 165,053,964	$ 99,032,378
Annual Revenue Through 11/30/2020	$ 314,260,613	$ 139,314,953	$ 137,484,483	$ 37,461,177
Under (Over) 2020 Revenue Cap	$ 15,847,315	$ 91,760,595	$ 27,569,480	$ 61,571,200

Conclusion—Rider DCR Calculation

Although Blue Ridge found that the balances used in the Rider DCR calculations should be adjusted, Blue Ridge found that the Rider DCR revenue requirements calculation is not unreasonable.

The Annual Rider DCR Revenue through November 30, 2020, is under both the aggregate annual cap and the allocated annual cap by company.

Projections

- Develop an understanding of the projection methodology used by the Companies for plant-in-service, property taxes, Commercial Activity Tax, and Income Tax.

The Compliance Filings include projections for the first two months in 2021. To develop the first quarter 2021 estimates, the Companies used estimated plant-in-service and reserve balances as of

[246] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.
[247] FirstEnergy's response to Data Request BRC Set 7-INT-001—Confidential.
[248] WP V&V – FE DCR Compliance Filing 1.5.2021—Confidential.

February 28, 2021, the most recent (December 2020) forecast from PowerPlan. The estimated February 28, 2021, plant and reserve balances were then adjusted to reflect current assumptions (including project additions and delays), to incorporate recommendations from prior Rider DCR Audit Reports, and to remove the pre-2007 impact of a change in pension accounting.[249]

Authority to use Projected Data

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO and continued in Case Nos. 12-12-1230-EL-SSO and 14-1297-EL-SSO provide the authority to include estimated balances in Rider DCR. The Combined Stipulation includes this direction in Section B.2:

> The quarterly filings will be based on estimated balances as of August 31, November 30, February 28, and May 31, respectively, with any reconciliation between actual and forecasted information being recognized in the following quarter.[250]

Mathematical Verification and Source Validation

The actual and estimated schedules in the Compliance Filings used the same format and calculations for each of the components and the revenue requirements calculations. Blue Ridge reviewed the estimated February 28, 2021, schedules while performing specific tasks in each of the previous subsections. Specific observations and findings are discussed in the appropriate subsections.

Conclusion—Projections

Blue Ridge found that the projected amounts included through February 2021 are not unreasonable. In addition, the projected amounts will be reconciled to the actual amounts, and the Rider DCR revenue requirement will be adjusted to actual in the next quarter's Rider DCR Compliance Filings.

Overall Impact of Findings on Rider DCR Revenue Requirements

- Determine the impact of all findings to Rider DCR revenue requirements.

Blue Ridge's impact of our recommendations is summarized in the following table.

[249] FirstEnergy's response to Data Request BRC Set 1-INT-001, Attachment 3—Confidential.
[250] Case No. 12-1230-EL-SSO Stipulation and Recommendation April 13, 2012, page 22.

Table 51: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement[251]

Adj #	Description	CEI	OE	TE	Total
	As Filed	**$ 156,461,204**	**$ 164,514,272**	**$ 40,062,907**	**$ 361,038,383**
1	Capitalized Vegetation Management Expense - CECO - Various WO#'s	(1,686,259)	-	-	(1,686,259)
2	Capitalized Vegetation Management Expense - OECO - Various WO#'s	-	(1,025,521)	-	(1,025,521)
3	Capitalized Vegetation Management Expense - TECO - Various WO#'s	-	-	(402,349)	(402,349)
4	AFUDC Over Accrued - OECO - WO# 13300165	-	(31,007)	-	(31,007)
5	AFUDC Over Accrued - OECO - WO# 14431541	-	(11,373)	-	(11,373)
6	AFUDC Over Accrued - TECO - WO# IF-TW-000025-1	-	-	(1,406)	(1,406)
7	LTIP-Stock - CECO, OECO, TECO	(89,959)	(104,226)	(34,414)	(228,599)
8	Retirements Not Recorded - CECO - WO# 15599597	(6)	-	-	(6)
9	Retirements Not Recorded - OECO - WO# IF-OE-000135-1	-	(792)	-	(792)
10	Retirements Not Recorded - OECO - WO# IF-OE-000131-1	-	(29,541)	-	(29,541)
11	Retirements Not Recorded - OECO - WO# IF-OE-000132-1	-	2,383	-	2,383
12	Retirements Not Recorded - OECO - WO# IF-OE-000136-1	-	(740)	-	(740)
13	Retirements Not Recorded - OECO - WO# IF-OE-000137-1	-	(429)	-	(429)
14	Retirements Not Recorded - OECO - WO# IF-SC-000247-1	-	(1,582)	-	(1,582)
15	Retirements Not Recorded - CECO - WO# 14861458	(52,688)	-	-	(52,688)
16	Retirements Not Recorded - CECO - WO# CE-001603-DO-MSTM	(23,726)	-	-	(23,726)
17	Retirements Not Recorded - OECO - WO# 16616511	-	(156)	-	(156)
18	Retirements Not Recorded - TECO - WO# 15776111	-	-	(2,821)	(2,821)
19	Retirements Not Recorded - TECO - WO# 15997031	-	-	(537)	(537)
20	Depreciation on Fully Amortized Assets - CECO	(4,158)	-	-	(4,158)
21	Regulatory Liability TCJA - CECO	(795,662)	-	-	(795,662)
22	Regulatory Liability TCJA - OECO	-	(1,331,512)	-	(1,331,512)
23	Regulatory Liability TCJA - TECO	-	-	(158,722)	(158,722)
24	Capitalized MARCs User Radio Fees - CECO - WO# CE-00827-TQ	(9,813)	-	-	(9,813)
	Impact of All Adjustments	**(2,662,272)**	**(2,534,496)**	**(600,249)**	**(5,797,016)**
	Recommended Rider DCR Revenue Requirements	**$ 153,798,932**	**$ 161,979,776**	**$ 39,462,659**	**$ 355,241,367**

251 WP Impact of Adjustments BRC Set 1-INT-001 Attachment 1 - FE DCR Compliance Filing 1.5.2021—Confidential R1.xlsx

APPENDICES

Appendix A: Rider DCR Excerpts within Order and Combined Stipulation

The following cases are relevant to the Delivery Capital Recovery Riders reviewed and discussed in this report.

- 10-0388-EL-SSO
- 12-1230-EL-SSO
- 14-1297-EL-SSO
- 11-5428-EL-RDR
- 12-2855-EL-RDR
- 13-2100-EL-RDR
- 14-1939-EL-RDR
- 15-1739-EL-RDR
- 16-2041-EL-RDR
- 17-2009-EL-RDR
- 18-1542-EL-RDR – No Commission Finding and Order
- 19-1887-EL-RDR – No Commission Finding and Order

Excerpts from Commission Opinions and Orders and Stipulations specifically related to Rider DCR in the above cases are provided below.

Case No. 10-388-EL-SSO

Combined Stipulation

The Combined Stipulation are comprised of the following documents:

- Original Stipulation Agreement included with the Companies' Application dated March 23, 2010
- First Supplemental Stipulation Agreement dated May 13, 2010 which modified the terms of the original stipulation
- Second Supplemental Stipulation dated July 19, 2010

The key sections related to the scope of this audit from the Combined Stipulation follow:

B. Distribution
Section 2 Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plants including allocated general plant from FirstEnergy Service Company that supports the Companies, which was not included in the rate base determined in the Opinion and Order of January 21, 2009 in Case No. 07-551-EL-AIR et al. ("last distribution rate case"). The return earned on such plant will be based on the cost of debt of 6.54% and a return on equity of 10.5% determined in the last distribution rate case utilizing a 51% debt and 49% equity capital structure. The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case. Rider DCR shall be adjusted quarterly to reflect in-service net capital

additions and encourage investment in the delivery system. For the first 12 months Rider DCR is in effect, the revenue collected by the Companies under Rider DCR shall be capped at $150 million; for the following 12 months the revenue collected by the Companies under Rider DCR shall be capped at $165 million, and for the following five months the revenue collected by the Companies under Rider DCR shall be capped at $75 million. Consistent with the time periods for the revenue caps established above, each individual Company will have a cap of 50%, 70% and 30% for Ohio Edison, CEI and Toledo Edison, respectively, of the total aggregate caps as established above. Capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be identified and excluded from Rider DCR and the annual cap allowance. Revenue requirements will be derived for each company separately, and on that basis the recovery of the revenue among the classes of each Company will be calculated using the same methodology as the existing DSI Rider. To effect the quarterly adjustments, the Companies will submit a filing that contains the adjustment requested, the resulting rate for each customer class and the bill impact on customers. The filing shall show the Plant in Service account balances and accumulated depreciation reserve balances compared to that approved in the last distribution rate case. The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case. Net capital additions for plant in Service for General Plant shall be included in the DCR so long as there are no net job losses at the Companies as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. For each account title the Companies shall provide the plant in service and accumulated depreciation reserve for the period prior to the adjustment period as well as during the adjustment period. The filing shall also include a detailed calculation of the depreciation expense and accumulated depreciation impact as a result of the capital additions. The Companies will provide the information on an individual Company basis.

(Section 2 Second paragraph of original text replaced by Second Supplemental Stipulation) The Signatory Parties agree that the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of R.C. § 4909.18 and each Signatory Party further agrees it will not advocate a position to the contrary in any future proceeding. The first quarterly filing will be made on or about October 31, 2011, based on an estimated balance as of December 31, 2011 with rates effective on January 1, 2012 on a bills rendered basis. Thereafter, quarterly filings will be made on or about January 31, April 30, July 30, and October 31 with rates effective on a bills rendered basis effective April 1, July 1, October 1, and January 1, respectively. The quarterly filings will be based on estimated balances as of March 31, June 30 September 30, and December 31, respectively, with any reconciliations between actual and forecasted information being recognized in the following quarter. The Companies will bear the burden to demonstrate the accuracy of the quarterly filings. Upon the Companies meeting such burden, any party may challenge such expenditures with evidence. Upon a party presenting evidence that an expenditure is unreasonable, it shall be the obligation of the Companies to demonstrate that the expenditure was reasonable by a preponderance of the evidence. An annual audit shall be conducted by an independent auditor. The independent auditor shall be selected by Staff with the consent of the Companies, with such consent not being unreasonably withheld. The expense for the audit shall be paid by the Companies and be fully recoverable through Rider DCR. The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable and will be conducted following the Companies' January 31,2012, January 31,2013 and January 31, 2014 filings, and one final audit following the Companies' July 30, 2014 final reconciliation filing. For purposes of such audits and any subsequent proceedings referred to in this paragraph, the determination of whether the amounts for which recovery is sought are not unreasonable shall be determined in light of the facts and circumstances known to the Companies at the time such expenditures were committed. Staff and Signatory Parties shall file their recommendations and/or objections within 120 days after the filing of the application. If no objections are filed within 120 days after the filing of the application, the proposed DCR rate will remain in effect without adjustment, except through the normal quarterly update process or as may be ordered by the Commission as a result of objections filed in a subsequent audit process. If the Companies are unable to resolve any objections within 150 days of the filing of the application, an expedited hearing process will be established in order to allow the parties to present evidence to the Commission regarding the conformance of the application with this Stipulation, and whether the amounts for which recovery is sought are not unreasonable.

For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, as established above, then the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap. In no event will authorization exist to recover in the DCR any expenditures associated with net plant in service additions made after May 31, 2014.

Section 3: Any charges billed through Rider DSI prior to January 1, 2012 shall not be included as revenue in the return on equity calculation for the Companies for purposes of applying the Significantly Excessive Earnings Test ("SEET"), nor considered as an adjustment eligible for refund. Any charges billed through Rider DCR after January I, 2012 will be included as revenue in the return on equity calculation for purposes of SEET and will be considered an adjustment eligible for refund. For each year during the period of this ESP, adjustments will be made to exclude the impact: (i) of a reduction in equity resulting from any write-off of goodwill, (ii) of deferred carrying charges, and (iii) associated with any additional liability or write-off of regulatory assets due to implementing this ESP. The significantly excessive earnings test applicable to plans greater than three years and set forth in R.C. § 4928.143(E) is not applicable to this three-year ESP.

D. Continuance of Existing Tariff Riders and Deferrals, Section 3

The following new tariff riders are attached as part of Attachment B, with such new tariffs approved as part of this ESP:

Rider DCR Delivery Capital Recovery (Discussed in Section B.2 above)

H. Other Issues

Section 1: The Companies' corporate separation plan in Case No. 09-462-EL-UNC shall be approved as filed. However, within six months after the completion of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. or within 18 months after this Stipulation is approved, whichever comes first, if the Companies' corporate or operational structure has changed, then the Companies shall file an updated corporate separation plan. In either case whether an updated corporate separation plan is filed or not, this plan may be audited by an independent auditor. The Commission shall select and solely direct the work of the auditor. The Companies shall directly contract for and bear the cost of the services of the auditor chosen by the Commission. Staff will review and approve payment invoices submitted by the consultant.

Section 5: With respect to the recent announcement of the combination of FirstEnergy Corp. and Allegheny Energy, Inc., the Signatory Parties agree that the Commission should not assert jurisdiction and review the merger, and further agree and recommend that the Commission should not in this instance initiate its own review of the merger in light of the facts that the merger is the result of an all stock transaction and there is no change in control of the Companies. Approval of the Stipulation by the Commission indicates acceptance of the Signatory Parties' recommendation.

Commission Opinion and Order dated August 25, 2010

On August 25, 2010, the Commission issued its Opinion and Order regarding Case No. 10-388-EL-SSO. The Order approved the following Stipulation Agreements with modifications:

- Original Stipulation Agreement included with the Companies' Application dated March 23, 2010
- First Supplemental Stipulation Agreement dated May 13, 2010 which modified the terms of the original stipulation
- Second Supplemental Stipulation dated July 19, 2010

The original stipulation and two supplemental stipulations are collectively referred to as the Combined Stipulation, which addressed all the issues within the case. The Commission's Order included several references to the Deliver Capital Recover Rider (DCR), which is the subject of this report. Those excerpts are provided as follows:

Pages 11-12 B. Summary of the Combined Stipulation:

(13) Effective January 1, 2012, the Delivery Capital Recovery Rider (Rider DCR) will be established to provide the Companies with the opportunity to recovery property taxes, commercial activity tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant, including general plant from FirstEnergy Service Company that supports the Companies and was not included in the rate base determined in *In re FirstEnergy*, Case No. 07-551-EL-AIR, et al, Opinion and Order (January 21, 2009). The return earned on such plant will be based on the cost of debt of 6.54 percent and a return on equity of 10.5 percent determined in that proceeding utilizing a 51 percent debt and 49 percent equity capital structure (*id*. at 13-14).

> For the first twelve months Rider DCR is in effect, the revenue collected by the Companies shall be capped at $150 million; for the following 12 months, the revenue collected under Rider DCR shall be capped at $165 million; and for the following five months, the revenues collected under Rider DCR shall be capped at $75 million. Capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be excluded from Rider DCR and the annual cap allowance. Net capital additions for plant in service for general plant shall be included in Rider DCR provided that there are no net job losses at the Companies as a result of involuntary attrition due to the merger between FirstEnergy Corp. and Allegheny Energy, Inc. (*id*. at 14-15).
>
> Rider DCR will be adjusted quarterly, and the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of Section 4909.18, Revised Code. The first quarterly filing will be made on or about October 31, 2011, based upon an estimated balance as of December 31, 2011, with rates effective for bills rendered as of January 1, 2012. For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap (*id*. at 15-17).
>
> Order, page 35, "Does the settlement, as a package, benefit ratepayers and the public interest?"
>
> b. Commission Decision
>
> The Commission also believes that the Combined Stipulation should be modified with respect to the provision that net capital additions for plant in service for general plant shall be included in Rider DCR so long as there are no net job losses at "the Companies" as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. Joint Ex. 1 at 15). According to testimony at the hearing, this provision does not cover employees of FirstEnergy Service Company (Tr. I at 85-86). However, many functions for the Companies are performed by employees of the FirstEnergy Service Company (Co. MRO Ex. 6 at 4-5). Therefore, the Commission will modify the Combined Stipulation to include employees of FirstEnergy Service Company who provide support for distribution services provided by OE, CEI, and TE and are located in Ohio within the meaning of "no net job losses" in the Combined Stipulation.
>
> Further, the Commission will clarify that the second paragraph on page 15 of the original stipulation will be replaced by the new language contained in the second supplemental stipulation joint Ex. 1 at 15; Joint Ex. 3 at 4).

Page 47 stated, it is, therefore, ordered that the Combined Stipulation, as modified by the Commission, be adopted and approved.

<u>Case No. 11-5482-EL-RDR (2011 Audit)</u>

On February 2, 2012, FirstEnergy filed its Rider DCR application. On April 13, 2012, Blue Ridge filed a report on its audit review of Rider DCR. On August 22, 2012, the Commission approved the following recommendation agreed to by Staff and FirstEnergy.

Page 7–9 Finding (22)

(a) Blue Ridge's recommendation for an adjustment to Rider DCR regarding the Companies' property tax expense. FirstEnergy and Staff state that the Companies implemented this recommendation in their third-quarter DCR filing.
(b) Blue Ridge's recommendation that the Companies review and address items that have no direct impact to Rider DCR, but are included in Appendix D to the audit report.
(c) Blue Ridge's recommendation that the Commission consider a review of the Companies' IT project planning and implementation.
(d) Blue Ridge's recommendation that, for future audits, the Companies evaluate the lessons learned from the conduct of this audit and develop information processes that will facilitate the determination that projects in Rider DCR are properly justified, approved, and managed.
(e) Blue Ridge's recommendation that the Companies reduce the utilization backlog before the next audit to reduce the potential for over- or under-accrual of depreciation.
(f) Blue Ridge's recommendation that, as part of the next audit, the Companies provide justification and support for the level of overheads that are added to project and work order costs and provide proper justification and back-up documentation to show overheads are appropriate.
(g) Blue Ridge's recommendation that workpapers supporting Rider DCR's property tax be cleaned up and fully referenced in order to minimize the opportunity for error.
(h) Blue Ridge's recommendation that the actual amount collected under Rider DCR be included as part of the quarterly compliance filing in order to ensure that the $150 million annual cap of collected revenue is not exceeded in 2012. FirstEnergy and Staff note that the Companies implemented this recommendation in their third quarter DCR filing and will maintain the recommendation to ensure the cap is not exceeded in future years.

Case No. 12-1230-EL-SSO

On April 13, 2012, FirstEnergy filed an application to provide for a standard service offer (SSO) for an electric security plan (ESP). The parties agreed to a Stipulation (ESP 3) that extended the Combined Stipulation for an additional two years. The Commission approved the Stipulation, with modifications, on July 18, 2012. In regard to the Delivery Capital Recovery Rider (Rider DCR), the Order stated.

Order, page 10-11, B. Summary of the Stipulation:

(13) The Delivery Capital Recovery Rider (Rider DCR) will continue to be in effect to provide the Companies with the opportunity to recover property taxes, commercial activity tax, and associated income taxes, and earn a return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant, including general plant from FirstEnergy Service Company that supports the Companies and was not included in the rate base determined in *In re FirstEnergy*, Case No. 07-551-

EL-AIR, et al., Opinion and Order (January 21, 2009). The return earned on such plant will be based on the cost of debt of 6.54 percent and a return on equity of 10.5 percent determined in that proceeding utilizing a 51 percent debt and 49 percent equity capital structure. (*Id* at 19.)

For the twelve-month period from June 1, 2014, through May 31, 2015, that Rider DCR is in effect, the revenue collected by the Companies shall be capped at $195 million, for the following twelve-month period, the revenue collected under Rider DCR shall be capped at $210 million. Capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be excluded from Rider DCR and the annual cap allowance. Net capital additions for plant-in-service for general plant shall be included in Rider DCR provided that there are no net job losses at the Companies as a result of involuntary attribution due to the merger between FirstEnergy Corp. and Allegheny Energy, Inc. (*Id*. At 20-21.)

Rider DCR will be updated quarterly, and the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of Section 4909.18, Revised Code. The first quarterly filing will be made on or about April 20, 2014, based upon the actual plant-in-service balance as of May 31, 2014, with rates effective for bills rendered as of June 1, 2014. For any year that the Companies' spending would produce revenues in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenues collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap. (*Id*. At 23).

(14) Any charges billed through Rider DCR will be included as revenue in the return on equity calculation for purposes of the SEET test and will be considered an adjustment eligible for refund (*Id* at 23).

Case No. 12-2855-EL-RDR (2012 Audit)

On November 1, 2012, FirstEnergy filed its Rider DCR application. On March 22, 2012, Blue Ridge filed a report on its audit review of Rider DCR. On May 22, 2013, Staff and FirstEnergy filed Joint Comments agreeing that the Commission should adopt the following recommendations. The Commission issued the Finding and Order on April 10, 2019, adopted adopting the following recommendations.

Finding and Order pages 6–7:

(a) Blue Ridge's recommendation that the Companies include quantification of any increase in efficiency and savings within its IT project justification (Audit Report 14.)

(b) Blue Ridge's recommendation for a reduction in the Rider DCR revenue requirement of $470,614. FirstEnergy and Staff state that the Companies implemented this recommendation in Rider DCR effective July 1, 2013 (Audit Report at 14.)

(c) Blue Ridge's recommendation that the Commission consider an updated depreciation study be conducted (Audit Report at 16). Staff recommends that the Commission direct the Companies to submit this study to Staff no later than June 1, 2015.

(d) Blue Ridge's recommendation that the Companies continue to review IT project planning and implementation (Audit Report at 25).

(e) Blue Ridge's recommendation that the Companies continue their efforts to reduce unitization backlog before the next audit to reduce the potential for over or under accrual of depreciation (Audit Report at 25).
(f) Blue Ridge's recommendation that the sample of December 2012 work orders be included in the test sample for the 2013 compliance audit (Audit Report at 46).

Case No. 13-2100-EL-RDR (2013 Audit)

On November 1, 2013, FirstEnergy filed its Rider DCR application. On April 9, 2014, Blue Ridge filed a report on its audit review of Rider DCR. On May 28, 2014, Staff and FirstEnergy filed a stipulation and recommendation that the Commission adopted on July 13, 2016.

The list of recommendations approved by the Commission are listed below:

(a) Blue Ridge's recommendation that the Companies carefully monitor the current manual process used by Accounting Policy and Control to move contributions in aid of construction (CIACs) to ensure that the CIACs are applied to the correct work orders and Federal Energy Regulatory Commission (FERC) accounts (Audit Report at 11).
(b) Blue Ridge's recommendation that the resolution to issues identified in Sarbanes-Oxley compliance tests during 2013 related to allowance for funds used during construction (AFUDC) rates in PowerPlant be reviewed in the next audit (Audit Report at 11).
(c) Blue Ridge's recommendation that the American Transmission Systems, Inc. (ATSI) Land Lease calculation methodology should revert to the previous methodology for future filings and a reconciliation calculation should be included in the next filing. Rider DCR effective June 1, 2014 incorporates this recommendation (Audit Report at 12.)
(d) Blue Ridge's recommendation that an adjustment be made to the next Rider DCR filing to remove the cumulative impact of advanced meter infrastructure (AMI) projects from the Rider DCR plant balances. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 13.)
(e) Blue Ridge's recommendation that the Companies correct errors identified as part of its work order transactional testing and adjust Rider DCR accordingly. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 15.)
(f) Blue Ridge's recommendation that certain costs associated with building improvements should be removed from Rider DCR. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 15.)
(g) Blue Ridge's recommendation that the Companies complete a process revision to ensure that AFUDC is not accrued on projects that are not eligible. Further, Blue Ridge's recommendation that the Companies review the entire population of utility plant included in Rider DCR to ensure other similar fees have not accrued AFUDC (Audit Report at 15.)
(h) Blue Ridge's recommendation that the Commission consider an updated depreciation study be conducted as the last approved study was based on balances as of May 31, 2007. Additionally, Staff's recommendation that the Commission direct the Companies to submit this study to Staff no later than June 1, 2015 (Audit Report at 17.)
(i) Blue Ridge's recommendation that the Companies include in Rider DCR filings a comparison of the annual Rider DCR revenue to the adjusted annual cap taking into

account prior years' under- and over-collections. Rider DCR effective June 1, 2014, incorporates this comparison (Audit Report at 19.)
(j) Blue Ridge's recommendation that the Companies include quantification of any increase in efficiency and savings within its information technology project justifications for projects justified on the basis of an increase in efficiency and savings (Audit Report at 24).

Case No. 14-1297-EL-SSO

On August 4, 2014, FirstEnergy filed an application pursuant to provide for a standard service offer (SSO) to establish generation pricing for the period of June 1, 2016, through May 31, 2019. The application is for an electric security plan (ESP), and the application includes four stipulations and recommendations agreed to by various parties regarding the terms of the proposed ESP (ESP IV). The parties agreed through stipulation to extend Rider DCR. The following items within the Order are relevant to Rider DCR.

Commission Opinion and Order dated March 31, 2016

Order, page 25, (11) Third Supplemental of the Stipulation:

The revenue caps for the Delivery Capital Recovery Rider (Rider DCR)[252] will increase annually to $30 million for the period of June 1, 2016, through May 31, 2019; $20 million for the period of June 1, 2019, through May 31, 2022; and $15 million for the period of June 1, 2022, through May 31, 2024. Further, the audit schedule set forth in the Application shall be amended to provide audits for the entire term of the Stipulated ESP IV, and the amended language shall read: "The independent auditor shall be selected by Staff. The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable and will be conducted following the Companies' December 31 filing during the term of the Companies' ESP IV, and one final audit following the Companies' final June 30 reconciliation filing." (Co. Ex. 154 at 13.)

Order, page 111, Commission Decision

With respect to Rider DCR, the Commission is not persuaded by claims by OCC/NOAC and others that costs under Rider DCR fail to receive proper scrutiny. As we have stated previously, Rider DCR is subjected to annual audits which require the Companies to demonstrate what they spent and why the recovery sought is unreasonable. ESP III Case, Opinion and Order at 34. The Commission has been conducting such audits annually since the inception of Rider DCR. Thus, OCC/NOAC and any other party have had, and will continue to have, a full and fair opportunity to raise any issues regarding distribution investments to be recovered under Rider DCR during the audit process.

Case No. 14-1929-EL-RDR (2014 Audit)

[252] Rider DCR allows the Companies to earn a return of and on plant-in-service associated with distribution, transmission, general, and intangible plant, which was not included in the rate base from the Companies' last distribution rate case.

On December 31, 2014, FirstEnergy filed its Rider DCR application. On April 22, 2015, Blue Ridge filed a report on its audit review of Rider DCR. On May 18, 2015, Staff and FirstEnergy filed a stipulation and recommendation that the Commission adopted on April 10, 2019. The list of recommendations approved by the Commission are listed below:

(a) Blue Ridge's recommendation that the American Transmission Systems, Inc. (ATSI) Work Order HE123 reversal transferred from CEI back to ATSI in January 2015 be removed from the Rider DCR calculation for 2014 and the effect of that carried forward into 2015 (Audit Report at 13).
(b) Blue Ridge's recommendation that the Companies review their information technology (IT) project planning to ensure that the methodology allows for projects to be fully scoped prior to execution. Further, Blue Ridge's recommendation that the Companies continue documenting any increase in efficiency and savings within its IT project justifications that are justified on that basis. The Companies and Staff agree that the Companies will conduct an internal audit of their IT project planning and implementation. The Companies shall coordinate with Staff to determine the scope of the internal audit, and the results shall be reviewed in the next Rider DCR compliance audit. FirstEnergy was required to complete this audit by December 31,2015. (Audit Report at 15.)
(c) Blue Ridge's recommendation that the Companies correct certain errors identified as part of its work order transactional testing and review of the Rider DCR filings and adjust Rider DCR accordingly. The Companies agree to reflect the adjustments in the Rider DCR filing expected to be filed on or about June 15,2015.
(d) Blue Ridge's recommendation that the Companies continue to work toward a reduction in the utilization backlog of work orders. The Companies were ordered to commit to decreasing the utilization backlog in 2015 with a goal of returning to 2013 levels. (Audit Report at 22.)
(e) Blue Ridge's recommendation that future audits shall include testing steps to confirm that allowance for funds used during construction (AFUDC) is correctly applied (Audit Report at 27).
(f) Blue Ridge's recommendation that the Rider DCR preparation process shall continue using the established methodology to recognize the impact of both past and future adjustments on Rider DCR (Audit Report at 27).
(g) Blue Ridge's reiterated recommendation from its 2013 review of Rider DCR that the Commission order an updated depreciation study be conducted, as the last approved study was based on balances as of May 31,2007. In re Ohio Edison Co., The Cleveland Elec. Ilium. Co., and The Toledo Edison Co., Case No. 13-2100-EL-RDR, Finding and Order (July 13, 2016) at 4-5. The Companies were required to submit this study to Staff no later than June 1,2015. (Audit Report at 29.)
(h) Blue Ridge's recommendation that the 2015 aggregate annual cap be decreased by an amount equal to $2,207,737. Rider DCR effective June 1, 2015, incorporates this recommendation. (Audit Report at 83-87.)

Case No. 15-1739-EL-RDR (2015 Audit)

On December 31, 2015, FirstEnergy filed its Rider DCR application. On April 22, 2016, Blue Ridge filed a report on its audit review of Rider DCR. On July 17, 2019, the Commission adopted Blue Ridge and supplemental recommendation by Staff. The list of recommendations approved by the Commission are listed below:

(a) Blue Ridge recommends that the overstatements regarding the Toledo Edison Company account be corrected in future Rider DCR filings (Audit Report at 21, 43-45).
(b) Blue Ridge recommends that a reconciliation of the Rider DCR revenue requirement be included in the next filing that incorporates the cumulative effect of the corrections needed to be made to the EDR(g) exclusions (Audit Report at 21, 51).
(c) Blue Ridge recommends that a reconciliation of the Rider DCR revenue requirement be included in the next filing that incorporates the effect on revenues had the additional AMI-related charge been appropriately excluded (Audit Report at 21, 52).
(d) Blue Ridge recommends that a reconciliation of the Rider DCR requirements be included in the next filing that incorporates the effect on revenues had the December 2014 through February 2015 ATSI Land Lease exclusion value activity been incorporated beginning with the actual plant balances (Audit Report at 21, 54).
(e) Blue Ridge recommends that a reconciliation calculation be included in the next Rider DCR filing to reflect the cumulative revenue requirement impact regarding the non-jurisdictional work that should have been excluded from Rider DCR (Audit Report at 21, 58).
(f) Blue Ridge recommends that a reconciliation calculation be included in the next Rider DCR filing to reflect the cumulative revenue requirement impact that results from the inclusion of the pension adjustments that did not have retirements recorded (Audit Report at 21, 59-60).
(g) Blue Ridge recommends that FirstEnergy move the residual pension asset balances associated with the Federal Energy Regulatory Commission that were residing in unspecified locations as of September 2015 to specified locations (Audit Report at 21, 60).
(h) Blue Ridge recommends that the Companies review their project planning process on non-IT-related projects to ensure that the methodology allows for projects to be fully scoped prior to execution (Audit Report at 21, 65).
(i) Blue Ridge recommends that the Companies evaluate the process used to record retirements so that the recording of retirements takes place at or before the plant additions are recorded to plant-in-service to ensure that both the replacement asset and the retired asset are not recording depreciation as the same time (Audit report at 21, 67).
(j) Blue Ridge recommends that the formulas in the estimated first quarter intangible depreciation expense net calculation be adjusted to ensure that depreciation expense is calculated or not calculated depending on whether the assets are fully amortized (Audit Report at 21, 74).
[¶ 27] Staff filed initial comments on June 23, 2017. In addition to agreeing with recommendations put forth by Blue Ridge in the Audit Report, Staff recommends that Blue Ridge assess the sufficiency of changes made to FirstEnergy's planning process regarding non-IT-related projects in the Companies' 2017 annual compliance audit for Rider DCR. Staff further recommends that the Commission direct the Companies

to take steps to ensure that the recording of retirements takes place at or before plant additions are recorded to plant-in-service.

<u>Case No. 16-2041-EL-RDR (2016 Audit)</u>

On December 31, 2016, FirstEnergy filed its Rider DCR application. On May 1, 2017, Blue Ridge filed a report on its audit review of Rider DCR. The parties filed comments and reply comments. On June 16, 2021, the Commission adopted Blue Ridge's recommendations. The following are Blue Ridge's recommendations:

a) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had the correct Rider EDR(g) balances been incorporated in prior Rider DCR filings, beginning with actual September 30, 2012, and ending with actual August 31, 2016, gross plant and reserve balances (2016 Audit Report at 44).
b) That the amount of the advanced metering infrastructure work order included in Rider DCR for 2016 be included in the reconciliation calculation in a future Rider DCR filing (2016 Audit Report at 44, 50).
c) That a reconciliation be included in the Rider DCR revenue requirements in a future filing that incorporates the effect on revenues had the correct, updated American Transmission Systems, Inc. (ATSI) balances been incorporated beginning with the actual February 29, 2016, plant balances (2016 Audit Report at 47).
d) Due to a lack of detail associated with a single line adjustment of approximately $669,638 related to retirements of unspecified assets, that the Companies determine the impact of the retirements on the depreciation reserve, and specifically on the over accrual of depreciation, relative to the CEI work order HE123, and adjust the subsequent DCR filing accordingly (2016 Audit Report at 52).
e) Due to the inability to determine the nature of certain retired assets or whether those retirements were timely recorded, that the Companies determine the impact of the retirements on the depreciation reserve, and specifically the over accrual of depreciation, relative to the Toledo Edison work order JC607, and adjust the subsequent Rider DCR filing accordingly (2016 Audit Report at 52).
f) That the Companies consider how they review the conditions of infrastructure during the budget cycle to ensure, wherever possible, emergent projects are budgeted and, therefore, part of the approved capital budget (2016 Audit Report at 52-53).
g) That the Companies review their project planning process to ensure that the methodology allows for non-IT projects to be fully scoped prior to execution, consistent with Blue Ridge's recommendations in the Companies' 2015 audit report for Rider DCR (2016 Audit Report at 57). Blue Ridge further suggests that the Companies initiate an internal audit of the non-IT-related budget process as described in their response to the 2015 audit report. (2016 Audit Report at 57.)
h) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had the overstatement of allowance for funds used during construction (AFUDC) on FES work order SC-000002-1 not occurred (2016 Audit Report at 59).

i) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had the overstatement of AFUDC on Ohio Edison work order OE-700402 not occurred (2016 Audit Report at 59-60).
j) That the Companies place additional emphasis on completing projects timely when they have direct control of the projects and can mitigate delays (2016 Audit Report at 61).
k) That the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value (2016 Audit Report at 64).
l) Any insurance recovery reduce plant in service and be recognized in a future Rider DCR filing (2016 Audit Report at 64).
m) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had depreciation expense not been calculated on the FAS109 land assets since the July 1, 2016 Rider DCR filing (2016 Audit Report at 69).
n) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had the correct Ohio Edison personal property tax rate been used in the September 30, 2016, and December 30, 2016, Rider DCR compliance filings (2016 Audit Report at 70).(o) That FirstEnergy review the Toledo Edison real property tax rate in next year's audit to verify a decline based on Toledo Edison no longer paying property taxes on assets removed in plant in service (2016 Audit Report at 71).
o) That the Companies include a reconciliation in the Rider DCR revenue requirement in a future filing that incorporates the effect on revenues had the correct effective income tax rate been used in the Toledo Edison calculation (2016 Audit Report at 74).

Case No. 17-2009-EL-RDR (2017 Audit)

On January 1, 2018, and replaced on December 12, 2018, FirstEnergy filed its Rider DCR application. On May 11, 2018, Blue Ridge filed a report on its audit review of Rider DCR. The parties filed comments and reply comments. On June 16, 2021,, the Commission issued its Finding and Order. The Commission noted that there is unanimous consensus on the validity of 15 out of the 17 recommendations proposed by Blue Ridge. The Commission agreed with the parties that these 15 recommendations are reasonable and, thus, should be adopted. The only two recommendations that warrant additional discussion are the recommendations related to the Companies' vegetation management accounting practices and the TCJA [Items j and q in the following list].

The following are Blue Ridge's recommendations:

a) To address Blue Ridge's concerns regarding the Companies' planning process raised in the 2016 Audit Report, the Companies completed an internal audit with an objective to confirm that project management methodology and process design allows for projects to be fully scoped and resulted in several recommendations that are expected to be complete by June 2018. Blue Ridge recommends that, during next year's Rider DCR audit, the auditor reviews whether the recommendations presented in the Distribution Portfolio and Planning Process were implemented. (2017 Audit Report at 42.)

b) That all FirstEnergy affiliated companies that benefit from fleet services, not just the Companies, should be allocated the costs of fleet services since it is a shared services organization (2017 Audit Report at 42).
c) Given the recommendations of internal auditors to design and implement an invoice review process for less significant storms after conducting an internal audit of the Companies' major storm back office review process, Blue Ridge recommends that this process, once implemented, should be reviewed as part of future Rider DCR audits (2017 Audit Report at 42.)
d) That the Companies review their unitization process for work orders to determine whether additional controls can be implemented to ensure more accurate recording in regard to plant additions, retirements, adjustments, and transfers (2017 Audit Report at 46).
e) As acknowledged by the Companies, that a future filing includes a reconciliation in the Rider DCR revenue requirement that incorporates the effect on $58,187 being included in FERC account 366, rather than appropriately included in FERC account 367 (2017 Audit Report at 51).
f) After noting a significant difference between the incremental change in AMI plant in 2017 and the incremental change in Rider AMI costs excluded through Rider DCR through November 30, 2017, that the Companies provide a reconciliation to document that there is no double recovery of AMI (2017 Audit Report at 53).
g) As acknowledged by the Companies, that the next filing includes a reconciliation in the Rider DCR revenue requirement that incorporates the effect on revenues had costs associated with the Experimental Company Owned LED Lighting Program been properly excluded in the 2016 quarterly Rider DCR compliance filings (2017 Audit Report at 55).
h) That future Rider DCR filings specifically review any distribution plant-related costs recovered through the Government Directives Recovery rider and the Experimental Company Owned LED Lighting Program to ensure that these costs are excluded from Rider DCR (2017 Audit Report at 55).
i) As acknowledged by the Companies, that a reconciliation calculation be included in a future Rider DCR filing to reflect the cumulative revenue requirement impact of removing the $1,192,607 related to the Toledo Edison Plaza Tenant Improvement project (2017 Audit Report at 61).
j) That the Companies' policy Accounting for the Clearing of Transmission and Distribution Corridors be better defined, given the broad discretion the policy affords the Companies to remove vegetation outside the corridor for any reason and treat it as a capital cost. Further, Blue Ridge recommends that FirstEnergy revise its vegetation management policy to be consistent with FERC 365[253] and FERC 593[254] regarding what vegetation management costs should be capitalized versus treated as maintenance expenses. Finally, Blue Ridge

[253] FERC 365 permits utilities to capitalize various costs related to the installation of overhead conductors and other devices used for distribution purposes, including the initial cost of tree trimming

[254] FERC 593 includes the cost of labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities, including trimming trees, clearing brush, and chemical treatment of right of way area when occurring subsequent to construction of the line

recommends that three vegetation management work orders discovered in the sample taken be excluded from Rider DCR. (2017 Audit Report at 62-65.) [***See paragraphs 40–41 for Commission decision***]

k) As acknowledged by the Companies, that all necessary adjustments to the Rider DCR revenue requirement associated with improper ATSI expenditures being recovered through Rider DCR be reflected in the reconciliation included in the next Rider DCR filing (2017 Audit Report at 65-66).
l) As acknowledged by the Companies, that a reconciliation be included in a future Rider DCR filing to reflect the cumulative revenue requirement impact had certain assert retirements not been delayed (2017 Audit Report at 71-72).
m) That certain adjustments be made to remove excess AFUDC costs through a reconciliation in the Rider DCR revenue requirement in a future filing (2017 Audit Report at 76).
n) That a reconciliation be included in the next Rider DCR that incorporates the effect on Rider DCR revenue requirements had the depreciation expense for FERC account 390.3 been calculated on net plant in service, rather than gross plant in service (2017 Audit Report at 87).
o) Although making progress in reducing the unitization backlog, that the Companies continue to make a concerted effort to reduce the volume of backlog work orders in both quantity and dollar value (2017 Audit Report at 79-80).
p) As acknowledged by the Companies, that any impacts associated with bonus depreciation resulting from the federal income tax reform will be reconciled in the Companies' next Rider DCR filing (2017 Audit Report at 96).
q) Regarding the TCJA, that the amount by which the ADIT balance is revalued is also the amount by which the Companies must set up a regulatory liability to refund the excess deferred taxes to ratepayers, or, in the alternative, demonstrate that it has been reflected in another filing. Further, Blue Ridge suggests that the Companies apply the average rate assumption method to update the regulatory liability. Finally, Blue Ridge recommends reconciliation of the Companies' reported annual TCJA savings reflected in all riders. (2017 Audit Report at 97-98.) [***See paragraph 39 for Commission decision***]

{¶ 39} While the comments submitted in this proceeding were made when the stipulation in Case No. 18-1604-EL-UNC was pending before the Commission, we subsequently approved the stipulation to resolve a number of proceedings before us. In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co., Case No. 16-481-ELUNC, et al., Opinion and Order (July 17, 2019) (TCJA Resolution Order). By the terms of the stipulation, the Companies agreed to refund all tax savings associated with the TCJA including riders, tax savings not reflected in riders, and the return over time of all of the normalized and non-normalized excess ADIT from January 1, 2018. In fact, OCC noted that the allocation of the rate reduction in refunds related to the excess ADIT being returned to residential customers was a just and reasonable credit to those customers' monthly bills. TCJA Resolution Order at ¶¶ 25-27, 66-67. Furthermore, the approval of the stipulation was consistent with the Commission's earlier determination that customers should receive the savings derived from the TCJA. See In re the Commission's Investigation of the Financial Impact of the TCJA on Regulated Ohio Utility Companies, Case No. 18-47-AU-COI, Finding and Order (Oct. 24, 2018) at ¶ 30. Accordingly, we agree with FirstEnergy and Staff in that Blue Ridge's recommendations involving the TCJA were addressed by the Commission in the TCJA Resolution Order.

{¶ 40} Addressing capitalization of tree-trimming costs, we similarly find that Blue Ridge's recommendations are reasonable and should be adopted on a going forward basis. Although OCC argues that Blue Ridge found that there is a possibility that FirstEnergy is charging customers multiple times for certain tree-trimming costs, Blue Ridge made no such finding. Rather, Blue Ridge determined that, because it disagrees with the Companies' vegetation management policy with respect to clearing the corridor, Blue Ridge was unable to determine whether some costs included in Rider DCR as capital should have instead been treated as expense, according to Blue Ridge's interpretation of the FERC definitions. Blue Ridge, therefore, recommended that the Companies better define capital and expense work associated with clearing the corridor to conform to the FERC USoA definitions. We agree with these recommendations and find that they are consistent with the ultimate treatment of such costs in similar audit proceedings. See, e.g., In re Ohio Power Co., Case Nos. 17-38-EL-RDR and 18-230-EL-RDR, Opinion and Order (June 20, 2019) at ¶ 50. The Companies' reliance on the 2011 DCR Review is misplaced. In that case, the Commission specifically acknowledged Staff and the Companies' agreement that the treatment of ADIT in Rider DCR was intended to be the same methodology approved in the last distribution rate case, further noting that Blue Ridge had subsequently removed the applicable recommendation. The circumstances of this case are clearly different.

{¶ 41} We further note that FirstEnergy has failed to demonstrate any reasonable justification for deviating from the USoA. Moreover, while this Commission does have the power to modify the USoA prescribed by the FERC, if it so chooses, as it applies to utilities operating within this state, we have historically approved such requests when evaluating applications to modify accounting procedures, rather than as a result of an annually conducted rider audit. Even then, however, we are not obligated to approve the request simply because we hold the authority to do so. See, e.g., In re Vectren Energy Delivery of Ohio, Inc., Case No. 15-1238-GA-AAM, Finding and Order (July 6, 2016); In re Cincinnati Gas & Elec. Co., Case No. 93-696-EL-AAM, Entry (Aug. 19, 1993); In re Dayton Power and Light Co., Case No. 91-200-EL-AAM, Entry (Mar. 14, 1991). Thus, we instruct the Companies to implement the recommendations set forth in the 2017 Audit Report as they relate to its current accounting policy for the capitalization of certain clearing activities. However, consistent with Staff's comments, tree removal during the initial clearing of the corridor or an expansion of the existing corridor may continue to be capitalized, which appears to also comply with the FERC USoA. While we are adopting this recommendation on a going forward basis, the Companies are further directed to remove the $3,678,742 attributable to the vegetation management work orders identified by Blue Ridge from the Rider DCR revenue requirement. We find that this guidance is sufficient for the Companies and that no specific audit of the vegetation management activities, as proposed by Blue Ridge, is necessary at this time.

Case No. 18-1542-EL-RDR (2018 Audit)

On January 2, 2019, FirstEnergy filed its Rider DCR application. On April 30, 2019, Blue Ridge filed a report on its audit review of Rider DCR. On September 29, 2020, Case No. 18-1542-EL-RDR was consolidated with Case No. 19-1887-EL-RDR.

Blue Ridge's recommendations are summarized below.

Rec-01. Vegetation Management: The Companies policy "Accounting for the Clearing of Transmission and Distribution Corridors" is in conflict with FERC accounting requirements, particularly in regard to certain capital-defined timesheet activity codes. Therefore, Blue Ridge recommends that the vegetation management costs charged to the DCR-associated with activity codes 05, 36, 14, and 30, be excluded from the DCR. (2018 DCR Report, pp. 46 and 67)

Rec-02. Vegetation Management: Because the vegetation throughout Ohio is similar in terms of geography and types of vegetation, to standardize treatment of vegetation management issues, Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how vegetation management costs should be recorded (capital versus expense) that may be created based on how those costs are recovered. (2018 DCR Report, p. 46)

Rec-03. Vegetation Management: Absent a Commission policy on the determination of capital and expense vegetation management activity (as suggested in Recommendation #2 above), and considering section 1.3 of the Companies' policy "Accounting for the Clearing of Transmission and Distribution Corridors" directs the capitalizing of FERC-defined maintenance work, Blue Ridge recommends that the Companies revise the specified policy to be consistent with the FERC Uniform System of Accounts. (2018 DCR Report, p. 46)

Rec-04. Vegetation Management: In the absence of a Commission policy on the determination of capital and expense vegetation management activity (as suggested in Recommendation #2 above), Blue Ridge recommends that Commission Staff undertake a periodic audit (review) of the Companies' vegetation management activities. (2018 DCR Report, p. 46)

Rec-05. Internal Audits: Regarding three internal audits in progress in 2018 regarding controls that would affect Rider DCR, Blue Ridge recommends that the results of the audits be reviewed in next year's DCR audit. (2018 DCR Report, p. 47)

Rec-06. Economic Development Rider (Rider EDR(g)): An EDR(g) recovered work order was not appropriately identified and excluded from the DCR during the consolidated unitization process. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the activity of EDR(g) work order 15204942 (cost $16,621) been appropriately excluded. (2018 DCR Report, p. 53)

Rec-07. Advanced Metering Infrastructure Rider (Rider AMI): Due to the fact that the Summary of Exclusions within the DCR filings does not identify all the Rider AMI recovered plant that is excluded, in order to ensure transparency in the exclusion of AMI from the DCR, Blue Ridge recommends that the Companies modify the reported Summary of Exclusions to reflect the total amount of AMI plant that is actually excluded. (2018 DCR Report, pp. 55–56)

Rec-08. Advanced Metering Infrastructure Rider (Rider AMI): Because of the Companies' use of multiple sources supporting the AMI exclusions, Blue Ridge recommends that the Companies review the charges reflected in the consolidated unitization to ensure that all plant recovered through the AMI Rider, including those work orders identified in the 2013 audit (separately identified) are properly identified and excluded from the DCR. (2018 DCR Report, pp. 56–57)

Rec-09. Experimental Company-Owned LED Light Program: Several Experimental Company-Owned LED Light Program work orders were not identified as such and thus excluded from the DCR during the consolidated unitization process. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the activity been appropriately excluded. (2018 DCR Report, p. 58)

Rec-10. Experimental Company-Owned LED Light Program: Because the Experimental Company-Owned LED Light Program includes FERC accounts that may be considered mass property and thus part of the consolidated unitization process, Blue Ridge was unable to confirm whether any additional LED costs (beyond those in regard to Recommendation #10 above) were included in the consolidated unitization work orders charged to the DCR. Blue Ridge recommends that the Companies review the charges reflected in the consolidated unitization to ensure that all plant recovered through Experimental Company-Owned LED lighting Program (and any other associated plant recovered through other riders) is properly identified and excluded from the DCR. (2018 DCR Report, pp. 58–59, 61, and 86)

Rec-11. Projects over Budget Greater Than 15%: While a large percentage of projects over budget raises a question about the Companies' planning process, the recommendations regarding such previous concerns were not fully implemented until midway through 2018. Therefore, Blue Ridge recommends that this issue be revisited in the next DCR audit to determine whether those 2018-implemented recommendations were successful in reducing the percentage of projects coming in over budget. (2018 DCR Report, pp. 73–74)

Rec-12. In-service Dates Entered Incorrectly: Two work orders had AFUDC that represented 35% of the total charges. Further investigation found that the in-service dates were entered incorrectly in PowerPlant and that AFUDC was over accrued. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the in-service dates for the work orders been entered correctly and AFUDC and not been over accrued. (2018 DCR Report, p. 74)

Rec-13. Cost of Removal but No Retirements Charged: Certain work orders had been completed but are still awaiting manual unitization at which time retirement will be charged (CECO WOs 14857540, CE-001312-DO-MSTM and OECO WOs 14370674, IF-OE-000127-1). Blue Ridge recommends that once the retirement is recorded, the Companies calculate the impact on depreciation and on the DCR. (2018 DCR Report, p. 76)

Rec-14. Cost of Removal but No Retirements Charged: For two OECO work orders (14777263 and OE-002814), the Companies explained the retirements occurred when the work orders were manually unitized, which was after November 30, 2018, and therefore not included in the DCR. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the retirements been recorded at the appropriate time. (2018 DCR Report, pp. 76–77)

Rec-15. Actual In-Service Date Delayed from Estimate: Two work orders (OECO IF-OE-000126 and IF-OE-000127) had delays of in-service dates resulting in over accrued AFUDC and overstatement of depreciation expense. Blue Ridge recommends that adjustments be made to change the in-service dates and to include reconciliations in the Rider DCR revenue requirement in a subsequent filing. (2018 DCR Report, pp. 79–80)
Rec-16. Consolidated Unitizations: Regarding the consolidated unitizations, any over or under accrual of depreciation would be addressed in regular depreciation studies. Since the last depreciation study for the Companies was performed using December 31, 2013, balances, Blue Ridge recommends that a depreciation study be performed. (As part of the Stipulation in Case No. 16-481-EL-UNC, et al., p. 19 [filed 11/9/18], FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023, with a date certain of December 31, 2022. This study would satisfy Blue Ridge's recommendation. However, the Stipulation still awaits Commission approval.) (2018 DCR Report, pp. 86 and 91–92)
Rec-17. Tax Cuts and Jobs Act Effect—EDIT Balances: Based on the Stipulation and Recommendation filed in Case No. 18-1604-EL-UNC, treatment of property EDIT balances resulting from the TCJA, normalized and non-normalized, will be accounted for between the Rider DCR and credit mechanisms. Until the adjustment is made, the DCR rate base is overstated. Therefore, Blue Ridge recommends that the EDIT balances be reflected within the DCR and the overcollection due to the delay in recording the EDIT in the DCR be adjusted within the next DCR filing. (p. 99)

Case No. 19-1887-EL-RDR (2019 Audit)

On January 2, 2020, FirstEnergy filed its Rider DCR application. On June 12, 2020, Blue Ridge filed a report on its audit review of Rider DCR. The parties filed comments and reply comments. On September 29, 2020, Case No. 18-1542-EL-RDR was consolidated with Case No. 19-1887-EL-RDR and additional comments and reply comments were filed. As of the date of this report, the Commission has not ruled on the findings and recommendations in the report.

Blue Ridge recommended the following adjustments:

Adjustment #1: Work Order 13287571: Distribution portion canceled but incorrectly placed in service.
Adjustment #2: Work Order 1437958: AFUDC accrued due to incorrect in-service date.
Adjustment #3: Work Order 14650547: AFUDC accrued due to incorrect in-service date.
Adjustment #4: Work Order 000947-S-5: AFUDC accrued during inactive periods.
Adjustment #5: Work Order 15521094: WO was in service but not unitized with no associated retirement.
Adjustment #6: Work Order 15667460: WO was in service but not unitized with no associated retirement.
Adjustment #7: Work Order 1597370: WO was in service but not unitized with no associated retirement.
Adjustment #8: Work Order 15993546: WO was in service but not unitized with no associated retirement.

Adjustment #9: Work Order 15298831: WO still in progress and incorrectly recorded in service.
Adjustments #10, 11, 12, 13: Vegetation Management: Removal of costs charged to capital task codes 05, 14, 30, and 36.
Adjustment #14: Regulatory Liability EDIT: It does not reflect the Commission-approved stipulation balances.

Beyond the above adjustments, for the DCR Year 2019 assessment, Blue Ridge summarizes its recommendations as follows:

Rec-01. Internal Audits: Based on recommendation 5 of the 2018 DCR Report, an internal audit that had not yet completed at the time the audit report was issued was recommended for review in the current audit after completion. That internal audit related to CREWS Modernization Pre-Implementation has not yet concluded. Blue Ridge continues to recommend that the internal audit results be reviewed by the DCR auditors when they become available. (DCR Year 2019 Report, pp. 24–25)
Rec-02. Vegetation Management (VM): In both the 2017 DCR Audit and the 2018 DCR Audit, Blue Ridge had recommended that the vegetation management costs charged to the DCR associated with capital task codes 05, 36, 14, and 30 be excluded from the DCR due to the Companies policy "Accounting for the Clearing of Transmission and Distribution Corridors" being in conflict with FERC accounting requirements. In both those audits, after reviewing the treatment of those costs in Rider DCR, the Companies disagreed with Blue Ridge, believing their inclusion was appropriate. In the current audit, Blue Ridge expanded the review of VM to include detail that supports selected contractor charges to determine whether the Companies have sufficient documentation to support the inclusion of charges as capital in the DCR. The review was also intended to check whether the Companies are following their stated policies for time sheet field activity verification and if those policies are adequate to support the inclusion of VM charges to capital. In Blue Ridge's opinion, the Companies did not provide sufficient detailed documentation to support the inclusion of capital charges in the DCR or to support verification of work according to current VM policies. Review of the VM issue in the prior DCR audits and the current one focused on the specific task codes designated for capital work. Therefore, regarding VM, Blue Ridge includes the following recommendations for the current audit:

a. Blue Ridge recommends that the Companies supplement their VM policies and procedures to provide more detail in support of the time sheet task codes used by contractors. The form of that support can be schematics, drawings, or pictures. A simple method would be to take a before and after picture in support of work performed and charged to the above-mentioned task codes.
b. Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how VM costs should be recorded (capital versus expense) that is created based on how those costs are recovered.
c. Absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

(DCR Year 2019 Report, pp. 40–41, 42, and 62)

Rec-03. Cost Overruns 15% and Greater: Blue Ridge recommends that the Companies further enhance and refine their project estimating process. (DCR Year 2019 Report, p. 66)

Rec-04. Cost Categories: Blue Ridge recommends that, since the software capitalization process, by which fees between capital and maintenance are split, is activated by a vendor which is not an independent source of information, Internal Audit should review the process to determine that the split of charges between capital and expense is not unreasonable. (DCR Year 2019 Report, p. 81)

Rec-05. Work Orders in Service but not Unitized: Blue Ridge found five work orders that, as of November 30, 2019, were in-service, but not unitized. The Companies stated that they will be manually unitized and the retirement will be recorded at the time of unitization. At that time, retirement estimates are reviewed, assets are identified, and the appropriate retirements are booked. While Utility Plant in Service was overstated as of November 30, 2019, by the retirement amounts not recorded, the Companies were unable to provide a retirement estimate prior to unitization. The Companies stated, and Blue Ridge recommends, that an adjustment be made to the Rider DCR revenue requirement in a future Rider DCR filing to reflect the retirements when the actual amount is known. (DCR Year 2019 Report, p. 82)

Rec-06. Work Order Backlog: Blue Ridge recommends that the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value. (DCR Year 2019 Report, p. 89)

Rec-07. Depreciation Expense: In verifying the mathematical accuracy of the depreciation expense calculations, Blue Ridge found that CEI and OE stopped depreciating FERC account 390.3—Leasehold Improvements on an actual basis in recognition that the leasehold improvements had been fully amortized. However, the Companies continued to accrue depreciation in account 390.3 on an estimated basis. This action was incorrect; however, no adjustment is necessary since the estimated expense was corrected through the normal reconciliation process in the Companies' April 2, 2020, Rider DCR Compliance Filing. Blue Ridge recommends that the Companies rectify the inconsistent formula between actual and estimated calculation by the next filing date. (DCR Year 2019 Report, p. 94)

Rec-08. EDIT: Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. (DCR Year 2019 Report, p. 104)

APPENDIX B: ABBREVIATIONS AND ACRONYMS

The following abbreviations and acronyms are used in this report.

ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance for Funds Used during Construction
AMI Rider	Advanced Metering Infrastructure (Smart Grid) Rider
ARO	Asset Retirement Obligation
ATSI	American Transmission Systems, Inc.
CAT	Commercial Activity Tax
CE, CEI, or CECO	Cleveland Electric Illuminating Company, The
CIAC	Contributions in Aid of Construction
CPR	Continuing Property Records
CREWS	Customer Request Work Scheduling System
CWIP	Construction Work in Progress
DCR	Delivery Capital Recovery Rider
DSI Rider	Delivery Service Improvement Rider
DTL	Deferred Tax Liability
EDIT	Excess Deferred Income Tax
EDR Rider	Economic Development Rider
ESP	Electric Security Plan
FE or FECO	FirstEnergy Service Company
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
IT	Information Technology
LEX Rider	Line Extension Recovery
LOSA	Level of Signature Authority
MRO	Market Rate Offer
OE or OECO	Ohio Edison Company
PUCO	Public Utilities Commission of Ohio
RFP	Request for Proposal
RWIP	Retirement Work in Progress
TE or TECO	Toledo Edison Company, The
TCJA	Tax Cuts and Jobs Act
SEET	Significantly Excessive Earnings Test
SSO	Standard Service Offer
WBS	Work Breakdown Structure

APPENDIX C: DATA REQUESTS AND INFORMATION PROVIDED

The following is a list of the data requests submitted by Blue Ridge to FirstEnergy. Responses were provided electronically and are available on a confidential USB drive.

DATA REQUEST SET 1 SUBMITTED 1/8/21

1.1. **Priority Data Request—DCR Filings**: For each company, please provide the workpapers and documents that support the information included within the January 5, 2021, Rider DCR Compliance Filing. Please provide the source data in its original electronic format.

1.2. **Priority Data Request—Work orders**: For each company and the Service Company, please provide in a Microsoft Excel spreadsheet a list of work orders by FERC account for 12/1/19 through 11/30/20. Include the description, dollar amount, completion date, and whether the work was an addition or replacement.

1.3. **Priority Data Request—Organization Charts**: For each company and the Service Company, please provide a current organizational chart.

1.4. **Priority Data Request—Organization Chart**: Please confirm that the following individuals were in the same positions for 2020. Please identify any changes.

#	Name	Title
1	Richard Collins	Director, Business Services
2	Amy Patterson	Manager, Property Accounting
3	Randal Coleman	Manager, Distribution Standards
4	(Vacant)	Manager, OH Revenue Requirements
5	Teresa Hogan	Director, Corporate Sourcing
6	Peter Nadel	Manager, Insurance
7	Santino Fanelli	Director Rates & Regulatory Affairs
8	Brandon McMillen	OH State Regulatory Analyst IV
9	Joseph Loboda	Director, Utilities Sourcing
10	James Radeff	Supervisor, Utilities Services and Support
11	Nicholas Fernandez	Director, Strategy and LT Planning and Corporate Responsibility
12	Mark Golden	Manager, General Accounting

1.5. **Workorder**: Please provide a reconciliation of the list of work orders provided in Data Request 1.2 to the amounts included in the January 5, 2021, DCR filings.

1.6. **FERC Form 1 Reconciliations**: Please provide a reconciliation of the Rider DCR balances under audit to the balances in the FERC Form 1.

1.7. **Budget**: Please provide the budget supporting the Compliance Filings under audit. Also, please include the assumptions supporting the budget/projected data.

1.8. **Budget**: Please provide the total actual capital dollars spent and the approved budget by operating company and by functional area (i.e., Transmission, Distribution, General, and Other Plant) for the time period under audit.

1.9. **Status of 2019 Recommendations**: Please provide a narrative on how the companies have addressed the recommendations listed on pages 16–18 in Blue Ridge's Compliance Audit of the 2019 DCR Riders, dated June 5, 2020.

1.10. **DCR Filings**: Please provide a narrative of any changes made to the development process of the 2020 Rider DCR Compliance Filings.

1.11. **Policies and Procedures**: For each company and the Service Company, please provide any changes for 2020 to the policies and procedures for the following activities.

a. Plant Accounting
   i. Capitalization, including additions to retirement units of property.
   ii. Preparation and approval of work orders
   iii. Recording of CWIP including the systems that feed the CWIP trial balance
   iv. Application of AFUDC
   v. Recording and Closing of additions, retirements, cost of removal, and salvage in plant
   vi. Unitization process based on the retirement unit catalog
   vii. Application of depreciation
   viii. Contributions in Aid of Construction (CIAC)
b. Purchasing/Procurement
c. Accounts Payable/Disbursements
d. Accounting/Journal Entries
e. Payroll (direct charged and allocated to plant)
f. Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)
g. Insurance Recovery
h. Property Taxes
i. Service Company Allocations
j. Budgeting/Projections
k. IT projects

1.12. **Policies and Procedures**: Please specifically explain any changes that have been made in capitalization polices that would transfer costs from operating expenses to capital.

1.13. **Policies and Procedures**: Please explain the Companies' cost containment strategies and practices in relation to use of outside and inside contractors.

1.14. **Internal Audits**: For each company and the Service Company, please provide a list of Internal Audits completed or in-progress for 2020. List the name of the audit, scope, objective, and when the work was performed.

1.15. **SOX Compliance Audits**: For each company and the Service Company, please provide a list of SOX compliance work completed or in progress during 2020. List the name of the audit, scope, objective, and when the work was performed.

1.16. **Variance Analysis**: For each company, please provide in a Microsoft Excel spreadsheet in FERC Form 1 format the beginning and ending period balance by primary plant (300 account and sub account) for additions, retirements, transfers, and adjustments for 12/1/19 through 11/30/20.

1.17. **Variance Analysis**: For each company, please provide in a Microsoft Excel spreadsheet the beginning and ending period balance for jurisdictional accumulated reserve for depreciation balances by FERC 300 account for 12/1/19 through 11/30/20.

1.18. **Variance Analysis**: For each company and the Service Company, please provide in a Microsoft Excel spreadsheet the beginning and ending period balance of Construction Work in Progress (CWIP) by month from 12/1/19 through 11/30/20.

1.19. **Replacement Programs**: Did the companies have any large construction and/or replacement programs in 2020, such as pole replacement, meters, underground lines, etc.? If so, for each, please identify the program, company, and project or work orders associated with the program.

1.20. **Insurance Recoveries**: For each company and the Service Company, please provide a list of any insurance recoveries charged to capital from 12/1/19 through 11/30/20.

1.21. **Insurance Recoveries**: For each company and the Service Company, please provide a list and explanation of any 2020 pending insurance recoveries not recorded or accrued that would be charged to capital. Indicate the type of recovery, estimated amount, and when receipt is expected.

1.22. **Depreciation**: For each company and the Service Company, please provide the approved depreciation accrual rates by FERC 300 account from 12/1/19 through 11/30/20. Note any changes in rates during the year. Please provide the Commission order that approved the rates for each company and the Service Company.

1.23. **Depreciation**: Does any company use a depreciation rate for any 300 sub-account that has not been approved by the Commission? If so, please provide the following for any changes made in 2020:

   a. FERC 300 account, sub account and company
   b. Depreciation accrual rate used
   c. Analysis supporting the use of the accrual rate
   d. Effective date of the rate
   e. Any filings with the commission for approval

1.24. **Approval Signatures**: Please provide the level of signature authority (LOSA) document that supports the approval of capital projects put in service from 12/1/19 through 11/30/20.

1.25. **Exclusions**: Please provide the supporting documentation for the amounts associated with the ATSI Land Lease for actual 11/30/20 and estimated 2/28/21.

1.26. **Excluded Riders**: Please provide the supporting documentation for the amounts excluded from CEI for Rider AMI for actual 11/30/20 and estimated 2/28/21.

1.27. **Excluded Riders**: Please provide the supporting documentation for the amounts excluded for EDR(g).

1.28. **Other Riders**:

   a. Has the Company requested and received Commission approval for any riders during the period under audit.

   b. Please provide a list of any rider that includes the recovery of any capital additions. Include a description of the rider, case number approving recovery, how the cost recovery is calculated, and how those costs are tracked and excluded from the Rider DCR.

1.29. **Workorders**: Please provide a list of work orders by FERC account used for the following types of work in December 2019 and January through November 2020:

a. Generation
b. AMI
c. EDR(g)
d. LEX
e. Annual blanket/program work orders (include any work that is a carryover from prior years)
f. IT
g. Storms
h. Joint-owned facilities
i. Vegetation Management
j. DPM
k. Experimental Company-Owned LED
l. GDR

1.30. **Rider GDR**: The Government Directive Recovery Rider has the potential to impact the Rider DCR.

a. Please provide a list of the costs by FERC account included in the Rider GDR.

b. For any costs charged to FERC accounts included in the Rider DCR, please explain how those costs have been excluded from recovery through the DCR.

1.31. **DPM:** The Distribution Modernization Platform has the potential to impact the Rider DCR.

a. Have the Companies incurred any costs associated with projects that could be recovered through the DMP? If so, please provide the FERC account, description, and amount, when the project began, and if in service, the in-service date.

b. Please explain how the Companies intend to track projects associated with the DMP to ensure that they are not included within the DCR.

1.32. **Storm Costs:** Please provide changes implemented in 2020, if any, as to how storm costs are monitored to ensure that work is properly classified as capital or expense?

1.33. **Storm Costs:** Please provide changes implemented in 2020, if any, as to how and whether a post-storm review is performed on the detail of the project costs for proper accounting classification.

1.34. **Vegetation Management:** Please provide specific information, if any, accumulated since the Company's response to BRC Set 2–INT-32 (in Case No. 19-1887-EL-RDR) on how tree limb removal, outside the scope of normal tree trimming, has reduced storm outages in duration and cost.

1.35. **Vegetation Management**: Please provide the allocation of spend between the following item pairs:

a. Vegetation management charged to expense and charges capitalized

b. Vegetation management charged to expense by internal labor and outside contractors

c. Vegetation management capitalized by internal labor and outside contractors

1.36. **Vegetation Management:** Please provide the total by operating company and by work order that was charged to the DCR and capitalized to the following charge codes in the period December 1, 2019, through November 30, 2020:

a. Cost Category 05—Off Corridor or removal of on corridor tree with overhang

b. Cost Category 36—Cut Tree in the Clear Off Corridor No Future Maintenance Required.

c. Cost Category 14—Overhead Limb Removal

d. Cost Category 30—Property Owner Notification Capital

1.37. **Unitization Backlog**: Please provide, by company, information regarding the backlog in the unitization of work orders for 2020. Please provide the number of work orders and the length of time in months by functional area (i.e., Distribution, Transmission, General, and Other).

1.38. **Unitization Backlog**: Please provide the dollar value of the work order backlog by operating company and by work order classification (Distribution, Transmission, General, and Other). For any individual specific work order/project over $250,000, and not a blanket or program, please provide the work order / project number and a short description of the project.

DATA REQUEST SET 2 SUBMITTED 1/26/2021

2.1. **<u>Priority Data Request:</u>** For the attached work order list (FirstEnergy 2020 DCR Audit Data Request Set 2 Sample Final), please provide the following information in Microsoft Excel spreadsheets.

a. Please provide the detail listed under item (i) below for each individual work order in the attached work order list. If the information cannot be provided by individual work order, please provide instead the information in item (ii) below.

i. A work order sample summary

(1) The individual work order or project approval, written project justification, including quantification of efficiency and cost savings, present value analysis, and/or internal rate of return calculations for projects other than annually budgeted work orders

(2) The individual work order or project estimated and actual in-service dates with explanations for delays > 90 days

(3) The individual work order or project, budget vs. actual costs, with explanations for cost variances +/- 15%

ii. A report at a project level with a reference to the sample work order that includes the following information:

(1) Approval

(2) Project justification

(3) Budget and actual costs with explanation for cost variances +/- 15%

(4) Estimated and actual in-service dates with explanation for delays > 90 days

b. Estimates for cost of construction (material and labor), AFUDC, overheads, retirements, cost of removal, salvage, and CIACs

c. Supporting detail for assets (units and dollars by FERC account for all FERC accounts within the work order) added to utility plant from the Fixed Asset System
d. Supporting detail for retirements, cost of removal, and salvage, if applicable, charged or credited to plant (units and dollars) for replacement work orders from the Fixed Asset System
e. An updated list of cost elements
f. Cost element detail that shows the individual work order, FERC account, and amount as selected in the sample (Considering that a work order may consist of more than one FERC account, the cost element detail can also include other WBS or Projects as long as the individual FERC account charge selected in the sample is visible.)

2.2. **Vegetation Management**: Please complete the following tables for Distribution-related vegetation costs and provide additional discussion and insights of the calculated average cost per mile and implied trimming cycle over the previous five-year period by operating company.

The Illuminating Company						
	Distribution Annual Vegetation Maintenance Cost	**2016**	**2017**	**2018**	**2019**	**2020**
	Annual Distribution "Annual Maintenance" Spend—Direct O&M					
	Annual Distribution "Annual Maintenance" Spend—Capital					
a	Annual Distribution "Annual Maintenance" total Spend					
b	# of Distribution Miles trimmed in the Annual Maintenance program					
c	# of total miles in Distribution Annual Maintenance Vegetation program					
	Calculated					
	Distribution Annual Maintenance Average Dollar per mile trimmed (a/b)					
	Distribution Annual Maintenance Implied Trimming Cycle in years (c/b)					

Ohio Edison						
	Distribution Annual Vegetation Maintenance Cost	**2016**	**2017**	**2018**	**2019**	**2020**
	Annual Distribution "Annual Maintenance" Spend—Direct O&M					
	Annual Distribution "Annual Maintenance" Spend—Capital					
a	Annual Distribution "Annual Maintenance" total Spend					
b	# of Distribution Miles trimmed in the Annual Maintenance program					

Ohio Edison						
	Distribution Annual Vegetation Maintenance Cost	**2016**	**2017**	**2018**	**2019**	**2020**
c	# of total miles in Distribution Annual Maintenance Vegetation program					
	Calculated					
	Distribution Annual Maintenance Average Dollar per mile trimmed (a/b)					
	Distribution Annual Maintenance Implied Trimming Cycle in years (c/b)					

Toledo Edison						
	Distribution Annual Vegetation Maintenance Cost	**2016**	**2017**	**2018**	**2019**	**2020**
	Annual Distribution “Annual Maintenance” Spend—Direct O&M					
	Annual Distribution “Annual Maintenance” Spend—Capital					
a	Annual Distribution “Annual Maintenance” total Spend					
b	# of Distribution Miles trimmed in the Annual Maintenance program					
c	# of total miles in Distribution Annual Maintenance Vegetation program					
	Calculated					
	Distribution Annual Maintenance Average Dollar per mile trimmed (a/b)					
	Distribution Annual Maintenance Implied Trimming Cycle in years (c/b)					

2.3. **Vegetation Management**: Please complete the below tables for all Vegetation-related, non-storm, sustained Distribution outages and provide additional discussion related to the slope of the trend lines over the previous five-year period by operating company.

The Illuminating Company					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—All vegetation related—non-storm, sustained					
CAIDI—All vegetation related—non-storm, sustained					
SAIDI—All vegetation related—non-storm, sustained					

Ohio Edison					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**

SAIFI—All vegetation related—non-storm, sustained					
CAIDI—All vegetation related—non-storm, sustained					
SAIDI—All vegetation related—non-storm, sustained					

Toledo Edison					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—All vegetation related—non-storm, sustained					
CAIDI—All vegetation related—non-storm, sustained					
SAIDI—All vegetation related—non-storm, sustained					

2.4. **Vegetation Management**: Please complete the below tables for non-storm, sustained Distribution outages associated with trees and large limbs outside the clearing zone corridor, and provide additional discussion of the slope of the trend line over the previous five years

The Illuminating Company					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
CAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
SAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					

Ohio Edison					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
CAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
SAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					

Toledo Edison					
Effectiveness (reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
CAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					
SAIDI—Vegetation-related outside the clearing zone corridor only—non-storm, sustained					

DATA REQUEST SET 3 SUBMITTED – 2/5/21

3.1. **Variance Analysis—Reference Response to BRC Set 1-INT-016-Attachment 1-Confidential.pdf:** Please provide detailed explanations along with supporting documentation for the following items.

g. Regarding the Gross Plant Additions, Retirements, and Transfers/Adjustments for FECO:
    i. FERC account 391 has retirements significantly greater than additions—Retirements = $(15,170,099); Additions = $7,490,067
    ii. FERC account 395 has retirements significantly less than additions—Additions = $650,000; Retirements = $(1,995)
    iii. FERC account 397 has retirements significantly less than additions—Additions = $13,320,607; Retirements = $(3,232,324)
h. Regarding the Gross Plant Additions, Retirements, and Transfers/Adjustments for OECO:
    i. FERRC account 350 has a transfer/adjustment of $(897,324)
    ii. FERC account 366 has negative additions, and they are significantly different from retirements—Additions = $(2,297,929); Retirements = $(3,786)
    iii. FERC account 390 has a transfer/adjustment of $(1,088,773)
i. Regarding the Gross Plant Additions, Retirements, and Transfers/Adjustments for The Toledo Edison Company:
    i. FERC account 353 has negative additions, and the amount is significantly different from retirements—Additions $(40,035); Retirements $(33,806)
    ii. FERC account 362 has retirements significantly less than additions—Additions $4,378,576; Retirements $(32,701)
    iii. FERCaccount 366 has retirements significantly less than additions—Additions $705,743; Retirements $(206)
    iv. FERC account 392 has retirements significantly less than additions, and retirements is positive—Additions $307,487; Retirements $71
    v. FERC account 303 has retirements significantly less than additions—Additions $2,260,058; Retirements $(1)
j. Regarding the Gross Plant Additions, Retirements, and Transfers/Adjustments for CECO:
    i. FERC account 353 has a transfer/adjustment of $233,568
    ii. Account 354 has zero additions and retirements
    iii. FERC account 357 has zero additions and retirements
    iv. FERC account 360 has negative additions—Additions $(11,179)
    v. FERC account 366 has retirements significantly less than additions—Additions $5,195,741; Retirements $(4)
    vi. FERC account 391 has negative additions, and they are significantly different from retirements—Additions $(88,650); Retirements $(1,300,937)
    vii. FERC account 393 has negative additions—Additions $(9,223)
    viii. FERC account 395 has negative additions—Additions $(53,209)
    ix. FERC account 396 has negative additions—Additions $(63,882)

3.2. **<u>Variance Analysis—Reference Response to BRC Set 1-INT-017-Attachment Confidential.pdf:</u>** Please provide detailed explanations along with supporting documentation for the following items.
a. Regarding the Accumulated Reserve Balances for OECO:
    i. Please explain why the following accounts decrease from 2019 to 2020:
        a) FERC account 373
        b) FERC Account 393

        c) FERC account 395
    ii. Please explain why the following account remains unchanged from 2019 to 2020:
        a) FERC account 390.3
b. Regarding the Accumulated Reserve Balances for The Toledo Edison Company:
    i. Please explain why the following accounts decrease from 2019 to 2020:
        a) FERC account 393
        b) FERC account 395
    ii. Please explain why the following account remains unchanged from 2019 to 2020:
        a) FERC account 354
        b) FERC account 396
c. Regarding the Accumulated Reserve Balances for The Cleveland Electric Illuminating Company:
    i. Please explain why the following accounts decrease from 2019 to 2020:
        a) FERC account 369
        b) FERC account 303
    ii. Please explain why the following account remains unchanged from 2019 to 2020:
        a) FERC account 354
        b) FERC account 390.3

3.3. **Internal Audits:** Follow-up to Data Request response BRC-Set-1-INT-14 Attachment 1 – Confidential.pdf. For the following audits, please provide the executive summary of findings and recommendations. For projects that are in progress, please provide the same information when it becomes available. (The referenced audit numbers are taken from the BRC-Set-1-INT-14 attachment.)

Audit Numbers: 1–4, 6, 9, 11, 14–19, 21, 23–25, 33, 35–39, 41–43, 47.

3.4. **Budget:** Follow-up to Data Request response BRC-Set-1-INT-008 Attachment 1 – Confidential.pdf.
a. Please provide the primary reasons why CEI General and Intangible Plant was over budget by approximately $4 million
b. Please provide the primary reasons why OE Distribution was over budget by approximately $11.6 million.
c. Please provide the primary reasons why OE General and Intangible Plant was over budget by approximately $2.8 million.
d. Please provide the primary reasons why OE Transmission was over budget by approximately $1.1 million.

3.5. **Variance Analysis (CWIP):** Follow-up to Data Request response BRC-Set-1-INT-018-Attachment 1.pdf.
a. Please provide the project work order numbers and approved budget for the Outage Management and GIS systems.
b. Are any of the components of the Outage Management and GIS systems in service as of November 30, 2020? If so, please provide the amounts in service by work order and the in-service dates.

c. The Company indicated that CECO CWIP changed from $66,436,833.40 to $92,305,380.76 as of November 30, 2020—an increase of $25,868,547.36. Attachment 1 indicates an ending balance of $75,794,053.21 as of November 30, 2020, resulting in an increase of $9,357,219.81. Please explain the difference between the response and attachment 1.
d. The Company indicated that OECO CWIP changed from $87,512,552.49 to $134,408.832.51 as of November 30, 2020—an increase of $46,896,280.09. Attachment 1 indicates an ending balance of $123,463,837.89 as of November 30, 2020, resulting in an increase of $35,951,285.47. Please explain the difference between the response and attachment 1.
e. The Company indicated that TECO CWIP changed from $22,536,079.54 to $33,130,784.27 as of November 30, 2020—an increase of $10,594,706.73. Attachment 1 indicates an ending balance of $123,463,837.89 as of November 30, 2020, resulting in an increase of $35,951,285.47. Please explain the difference between the response and attachment 1.

3.6. **Capital Spares:** Please note any significant changes to the policy on capital spares in 2020.

DATA REQUEST SET 4 SUBMITTED – 2/11/21

4.1. **Vegetation Management—Reference Response to BRC Set 1-INT-034:** Please provide the following information regarding outage restoration duration (CAIDI) for those experiencing an outage during a storm event:

k. In its response, the Companies state, "Due to differences in size and scope of any one major event, non-excludable events during weather conditions were utilized." Please explain what it means that "non-excludable events during weather events were utilized."
l. Please provide the Storm Vegetation-related SAIFI for each of the years 2014 through 2020 in bar chart format with labels. Please explain the trend line and definition of a storm event.

4.2. **SOX Compliance Audits**—Reference Response to Data Request BRC Set 1-INT-015, Attachment 1 - Confidential: For the following SOX compliance audits, please provide a summary of any significant control deficiencies along with how those deficiencies were corrected or mitigated.

a. Accounting Research -CS
b. Accounts Payable - CS
c. Corporate PPE - CS
d. Financial Reporting & Disclosures
e. General Accounting - CS
f. IT-Infrastructure - CS
g. IT-systems - CS
h. Material & Services - CS
i. Regulated Billing - CS
j. Regulated MBU - CS
k. Regulated PP&E - CS
l. Regulated Settlements - CS
m. Regulated Accounting - CS

n. Short Term Budget & Forecast - C
o. Tax - CS

DATA REQUEST SET 5 SUBMITTED – 2/15/21

5.1. **Status of 2019 Recommendations—Reference Response to BRC Set 1-INT-009, Rec-04:** The Companies' response regarding Recommendation 4 of the 2019 DCR Audit report indicated that audits are performed on the capital process and on capital and O&M. However, it is not clear whether the response refers only to how IT software *project costs* are split between capital and expense relative to GAAP. Blue Ridge recognizes that GAAP has specific accounting for the four phases of software projects which determine the split. However, Blue Ridge's recommendation had to do specifically with how the determination is made to split the vendor fees between capital and expense. Please respond to the following items:
   a. Is the split of vendor fees between capital and expense determined in the same manner as the project stages?
   b. If the response to (a) is no, please explain how the determination is made.
   c. Is the determination of the split of vendor fees specifically audited by Internal Auditing?

DATA REQUEST SET 6 SUBMITTED – 2/17/21

6.1. **Variance Analysis:** Reference DR response BRC Set 1-INT-001 Attachment 1 – FE DCR Compliance Filing 1.5.2021 – Confidential.xlsx. Please provide detailed explanations for the significant increases in reserve amounts on 11/30/20 over the balances on 11/30/19 for the following FERC accounts:
   a. Tab ACT – CEI Sch B3, FERC account 370 Adjusted Jurisdiction of $26,028,754, which is an increase of 34.5% over the prior year of $19,346,316 (as shown in the 11/30/2019 DCR filing).
   b. Tab ACT – OE Sch B3, FERC account 370 Adjusted Jurisdiction of $44,291,485, which is an increase of 26.4% over the prior year balance of $35,029,510 (as shown in the 11/30/2019 DCR filing).
   c. Tab ACT – OE Sch B3, FERC account 391 Adjusted Jurisdiction of $4,346,340, which is an increase of 31.8% over the prior year balance of $3,297,302 (as shown in the 11/30/2019 DCR filing).
   d. Tab ACT – OE Sch B3, FERC account 392 Adjusted Jurisdiction of $1,415,117, which is an increase of 44.8% over the prior year balance of $3,297,302 (as shown in the 11/30/2019 DCR filing).
   e. Tab ACT – TE Sch B3, FERC account 370 Adjusted Jurisdiction of $25,832,653, which is an increase of 26.6% over the prior year balance of $20,401,356 (as shown in the 11/30/2019 DCR filing).

DATA REQUEST SET 7 SUBMITTED 2/22/21

7.1. **Annual DCR Revenue:** Reference DCR Compliance filings dated January 5, 2021, page 57 of 71. Please provide supporting documentation for the Annual Revenue through 11/30/2020 for each operating company.

7.2. **Rider DCR Revenue Cap.** Reference DCR Compliance filings dated January 5, 2021, page 57 of 71. Provide supporting documentation for the reported 2019 Rider DCR Revenue of $309,630,496.

7.3. **Tax Rates.** Please provide the supporting documentation and calculations for the tax rate used for actual 11/30/20 and estimated 2/28/21.

7.4. **Depreciation.** Reference pages 14 and 39 of 71, line 36. CE Account 398 Miscellaneous Equipment.

   a. What type of equipment is booked to Account 398?
   b. When the depreciation rates were established in Case No. 07-551-EL-AIR, was the assets reflected in Account 398 amortized or depreciated?
   c. If the accrual rate of 6.67% (which is equivalent to a 15-year life) represents depreciation, explain why the net book value is zero and not negative at 11/30/20 and 2/28/21.

7.5. **Exclusions.** Reference pages 19 of 71, provide the supporting documentation for "exclusions related to Rider AMI for work order activity associated with WBS CE-00400 that are included in Non-SGMI depreciation groups offset by DCR activity in SGMI depreciation groups" for actual 11/30/20 and estimated 2/28/21.

7.6. **Exclusions.** Provide the supporting documentation for the amounts associated with the Experimental Company Owned LED Program for actual 11/30/20 and estimated 2/28/21.

7.7. **ADIT Balances.** Provide supporting documentation for the amounts associated with the Normalized and Non-Normalized Property EDIT balances for actual 11/30/20 and estimated 2/28/21. Include a roll-forward schedule reconciling the Company-reported balances at 11/30/19 to the balances at 11/30/2020 and 2/28/21.

7.8. **Reconciliation**. Reference BRC 1-INT-001 Attachment 1, Attachment 3, and BRC 1-INT-005. Please explain the $13,196 difference between Total Gross Plant Balances below:

Company	Functional Class	***BRC 1-INT-005*** Balance at 11/30/20 **Gross Plant**	***BRC 1-INT-001 Att 3*** Actual Plant Balances for 11/30/2020 **Gross Plant**	Difference
CECO	Distribution Plant Total	$2,604,023,668	$2,604,022,308	$1,360
CECO	General Plant Total	$174,973,851	$174,974,067	-$216
CECO	Intangible Plant Total	$77,303,596	$77,304,827	-$1,231
CECO	Transmission Plant Total	$512,943,722	$512,943,721	$1
CECO Total		**$3,369,244,837**	**$3,369,244,923**	**-$86**
OECO	**Distribution Plant Total**	$3,166,347,041	$3,166,330,999	$16,042
OECO	**General Plant Total**	$206,147,108	$206,147,370	-$262
OECO	**Intangible Plant Total**	$109,091,411	$109,092,920	-$1,509
OECO	**Transmission Plant Total**	$298,929,243	$298,929,242	$1
OECO Total		**$3,780,514,803**	**$3,780,500,531**	**$14,272**
TECO	Distribution Plant Total	$1,106,865,010	$1,106,865,013	-$3
TECO	General Plant Total	$78,809,617	$78,809,761	-$144
TECO	Intangible Plant Total	$35,510,282	$35,511,124	-$842
TECO	Transmission Plant Total	$40,491,701	$40,491,701	$0
TECO Total		**$1,261,676,610**	**$1,261,677,599**	**-$989**

		BRC 1-INT-005 Balance at 11/30/20	***BRC 1-INT-001 Att 3*** Actual Plant Balances for 11/30/2020	
FECO	General Plant Total	$389,253,957	$389,253,958	-$1
FECO	Intangible Plant Total	$461,861,145	$461,861,145	$0
FECO Total		**$851,115,102**	**$851,115,103**	**-$1**
FirstEnergy Total		**$9,262,551,352**	**$9,262,538,156**	**$13,196**

7.9. DCR Filings: Follow up to BRC 1-INT-001 Attachment 3. The Company provided Actual Plant Balances in columns W, X, and Y. Please confirm that the Plant Balances are November 30, 2020 not 8/31/2020 Plant Balances.

Data Request Set 8 Submitted – 2/25/21

8-1. DESKTOP Virtual/On-Site Field Audit: As a continuation of the audit process, Blue Ridge has selected the attached 13 projects on which to perform a detailed Desktop Virtual/On-Site Field review.
The purpose of the desktop review will be to understand the project scope, the installed and replaced/retired assets, risk ranking data used, and other pertinent documentation that the Company deems relevant for us to understand the project.

Due to travel restrictions associated with the coronavirus, this review will be completed via video conference. To coordinate the desktop review, a pre-audit call will be scheduled among Blue Ridge, the Ohio PUC staff, and FirstEnergy on or around March 22. The purpose of the call will be to discuss the process and to select the dates to conduct the virtual field audit. In support of this effort, please provide this information:

a. Prior to the day the audit commences – for each of the projects selected;
    i. Schematics/drawings/and photos or any other visual aids that indicate what was built or installed. Before and after pictures would also be helpful if available.
    ii. A list of material and/or equipment installed, along with the major asset serial numbers, if applicable
    iii. Project justification statement, including alternatives considered
    iv. Direct cost detail (labor, material, transportation, equipment etc.)
    v. Risk Ranking score and model inputs that support the decision to go forward with the project if applicable
    vi. A list of major equipment removed and retired, including vintage year of the assets removed, cost of removal, and salvage
b. For the days the virtual audit will be conducted
    i. An individual who can coordinate the review and sponsor/host the virtual meeting
    ii. Representatives from FirstEnergy who can describe each project in detail
    iii. If necessary, the Project Manager responsible for the project who can answer questions

Company	Work order	Description	In-Service Date	Total

CECO	12873413	Review ODOT routes & comment on CEI UG	10/28/20	$1,960,749
CECO	13509122	NB USA Waste Inc., Geneva Landfill (PJM	12/13/13	$628,039
CECO	14861458	E55th St Broadway to Superior - CEI UG	1/13/20	$738,285
CECO	PA206595861	PO FW: Circuit JY-H016JY (401200016) 201	8/24/20	$105,469
OECO	13300165	Mantua Sub-2012 SCADA Installations on D	4/29/20	$1,008,602
OECO	14431541	CARROLL SUB INSTALL SCADA	8/19/20	$950,148
OECO	16284137	Stone Rd reconductor for load balance.	3/17/20	$206,309
OECO	16477291	Repairs associated with MH 5 Fire in You	3/19/20	$253,966
OECO	IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	6/21/19	$622,765
OECO	IF-SC-000247-1	SvcCo - Fairlawn Remittance Ctr Reno	9/28/17	$694,310
TECO	15776111	SB Order for Defiance SW Ckt Switcher	12/5/19	$985,830
TECO	16055475	Underground Cable Rejuvenation	10/22/20	$955,430
TECO	16622904	Equip Investigate/Repair - Transformer O	10/20/20	$2,322,875

8-2. As clarification to BRC Set 2-INT-2, we believe there is error in the response. In row (c) "# of total miles in Distribution miles in the Annual Maintenance Vegetation program" is implied to be the total overhead distribution line miles that is included in the overall vegetation trimming line program. Please resubmit the response.

8-3. In response to BRC Set 2-INT -4, please complete the following tables for overall System performance by operating company and provide additional discussion of the slope of the trend line over the previous 5 years.

CECO					
Effectiveness (Reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Total Non-Storm System Index					
CAIDI—Non-Storm System Index					
SAIDI—Non-Storm System Index					

OECO					
Effectiveness (Reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Total Non-Storm System Index					
CAIDI—Non-Storm System Index					
SAIDI—Non-Storm System Index					

TECO					
Effectiveness (Reliability)	**2016**	**2017**	**2018**	**2019**	**2020**
SAIFI—Total Non-Storm System Index					
CAIDI—Non-Storm System Index					
SAIDI—Non-Storm System Index					

Data Request Set 9 Submitted – 2/26/21

9.1. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3—Cost Details -CONFIDENTIAL. Please identify what makes up the majority of the costs in the category other Direct Costs for the following work orders.

Work order	Description	Other Direct Costs	Total Costs
ITF-SC-000036-SW20-1	Oracle SW Upgrade Fee 2020- CAP	$2,089,999	$2,089,999
ITF-SC-000045-SW19-1	SAP SW Upgrade 2019-CAP	$4,394,309	$4,394,309
ITF-SC-000069-SW19-1	Filenet Upgrades 2019-CAP	$306,189	$306,189
ITF-SC-000121-SW19-1	Microsoft Software Upgrades 2019-CAP	$1,879,983	$1,879,983
ITS-SC-000590-1	Hybrid Cloud Computing Project - Cap	$972,578	$5,093,699

9.2. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3—Cost Details-CONFIDENTIAL. Work Order XIT-000062-1Total Capital – -$3,045,381. Please provide the accounting entries and an explanation for the Data Processing Equipment credits.

9.3. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3—Cost Details-CONFIDENTIAL. Please explain the AFUDC Debt and Equity recorded for the following projects.

Work Order	Work Order Description	AFUDC Debt/Equity	Total Activity	% of AFUDC to Total
13300165	Mantua Sub-2012 SCADA Installations on D	$422,177	$1,008,602	42%
14431541	CARROLL SUB INSTALL SCADA	$197,170	$950,148	21%
12873413	Review ODOT routes & comment on CEI UG	$308,936	$1,960,749	16%

9.4. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3 – Cost Details -CONFIDENTIAL. OECO Work Order 16080601, Equip Investigate/Repair - Circuit Break.

a. Other Company Overheads totaled $115,883, which represents 33% of the total project cost of $350,423.91.
b. Please explain what those costs represent.

9.5. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-1 Attachment 1 - CONFIDENTIAL. OECO Work Order L1094, OECO PROP ASSETS-PWR PLT TRNSF & ADJ.

a. Please explain the nature of the negative $(1,978,274.56) in adjustments.
b. What is the impact on other projects?
c. Please provide supporting documentation

9.6. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 1 - CONFIDENTIAL.

Work Order	Work Order Description	Total Activity
CE-900477-CCOH-ADJ	Capital Related Payroll Overhead Adjust	$2,615,628.55
OE-900477-CCOH-ADJ	Total Non-Billable Distribution Project	$4,559,165.30

a. Please provide additional detail that describes what capitalized incentive compensation means.
b. Who is eligible for capitalized incentive compensation, how is it determined, and why should it be included in the DCR?

9.7. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3 – Cost Details -CONFIDENTIAL. CECO Work Order 13509122, NB USA Waste Inc., Geneva Landfill PJM.

a. Please explain why the cost detail shows a Debit CIAC for $602,226 and not a credit CIAC that reduces the project cost.
b. Please explain why a project with an in-service date of 12/13/2013 is included in the scope of this review that covers 12/1/19–11/30/20.

9.8. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3 – Cost Details - CONFIDENTIAL. CECO Work Order CE-00827-TQ, Implement New Mobile Radio System. Please explain what the cost reimbursements of $(412,671) have to do with the implementation of the Mobile Radio System.

9.9. **Work Order Testing**: Follow-up to Data Request response BRC 1-INT-002, Attachment 1, and BRC-Set 2-INT-Attachment 3 – Cost Details - CONFIDENTIAL. Please explain the difference between the cost detail and Total Activity provided in the population and why no additions to plant are indicated.

Work order	Description	Replacements BRC-1-INT-2	Cost Detail BRC 2-INT-1	Difference Population to Cost Detail	% of Cost Detail to Total
16727863	replace bank of 25kva 120/208	$8,803	$12,136	$3,333	38%
IF-TW-000025-1	TE - Holland Replace Office Roof	$392,419	$693,504	$301,085	77%
PA205300860	PO FW: 170714D66329 See 2 for repairs	$3,253	$3,522	$269	8%
PA205179550	PO FW: Fuse Installation 501505B 25T CPA	$4,385	$4,817	$432	10%
PA207100470	PO FW: 34FB1C-92 [MDT Comments BERRY 0	$4,019	$4,345	$326	8%

9.10. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 4 – Cost Retirements and BRC-Set 2-INT-Attachment 5 – Cost of Removal - CONFIDENTIAL. For the following replacement work orders, explain why no Retirements or Cost of Removal were recorded on the projects.

Work order	Description	Replacements
13300165	Mantua Sub-2012 SCADA Installations on D	$1,008,602
IF-OE-000131-1	OE - Elyria Remove UST/Add AST	$436,786
IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	$622,765
IF-OE-000135-1	OE - Fairlawn 6 Rpl Fence Enclosure	$107,247
IF-OE-000136-1	OE - Fairlawn 4 Replace Roof Rf03	$256,760
IF-OE-000137-1	OE - Fairlawn 4 Replace Roof Rf04	$463,839
IF-SC-000247-1	SvcCo - Fairlawn Remittance Ctr Reno	$694,310
OE-003666-DF-MSTM	OE MSTM 7 6/10/2020	$249,337
OE-700626-SW19	IT New Credit Card Vendor	$160,826
OE-900186-VMPL-DIST	Total Project	$7,151,079
15599597	2018 Cleveland Resurf Proj - CEI UG MH	$89,885

9.11. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 3 – Cost Details - CONFIDENTIAL. **L1094 -** OECO PROP ASSETS-PWR PLT TRNSF & ADJ – - $1,978,274. Please provide the detail that supports the adjustment.

9.12. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 4 – Cost Retirements and BRC-Set 2-INT-Attachment 5 – Cost of Removal - CONFIDENTIAL. For the following work orders, please explain why cost of removal was recorded to the work order and did not have associated retirements recorded.

Work order	Description	Total Activity
13509122	NB USA Waste Inc., Geneva Landfill (PJM	$628,039
14861458	E55th St Broadway to Superior - CEI UG	$738,285
CE-001603-DO-MSTM	Total Distribution Line	$980,220
16080601	Equip Investigate/Repair - Circuit Break	$350,424
16405672	Equip Investigate / Repair - Regulator	$96,499
16477291	Repairs associated with MH 5 Fire in You	$253,966
16616511	Relocate Service	$14,159
15776111	SB Order for Defiance SW Ckt Switcher	$985,830
15997031	Commercia	$409,329

9.13. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-1 Attachment 1 - CONFIDENTIAL. Please explain why the following work orders had in-service dates outside 12/1/19–11/30/20, which is the scope of this DCR audit.

Work order	Description	Total	In-Service Date
15599597	2018 Cleveland Resurf Proj - CEI UG MH	$89,885	1/9/19
CE-000827-TQ	Implement New Mobile Radio System	-$412,671	12/14/17
IF-CE-000092-1	CE - Woodland Substation Rpl Roof	$428,007	12/31/18
IF-OE-000131-1	OE - Elyria Remove UST/Add AST	$436,786	3/27/19
IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	$622,765	6/21/19
IF-OE-000135-1	OE - Fairlawn 6 Rpl Fence Enclosure	$107,247	10/29/18
IF-OE-000136-1	OE - Fairlawn 4 Replace Roof Rf03	$256,760	12/4/19
IF-OE-000137-1	OE - Fairlawn 4 Replace Roof Rf04	$463,839	12/4/19
IF-SC-000247-1	SvcCo - Fairlawn Remittance Ctr Reno	$694,310	9/28/17
IF-TW-000025-1	TE - Holland Replace Office Roof	$392,419	5/1/18
TW-700527-2017R1	IT ARCOS Callout Implementation 2017R1	$35,972	1/8/18

9.14. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 4 – Cost Retirements and BRC-Set 2-INT-Attachment 5 – Cost of Removal - CONFIDENTIAL. TECO Work Order IF-TW-00025-1, TE-Holland Replace Office Roof - $392,419. Please explain why this replacement work order did not have cost of removal recorded.

9.15. **Work Order Testing**: Follow-up to Data Request response BRC-Set 2-INT-Attachment 2 CONFIDENTIAL. For the following projects, please provide detail how the allocations from FECO to the individual operating companies, in and out of Ohio, are calculated.

Work order	Description	Total
ITF-SC-000036-SW20-1	Oracle SW Upgrade Fee 2020- CAP	$2,089,999
ITF-SC-000045-SW19-1	SAP SW Upgrade 2019-CAP	$4,394,309
ITF-SC-000069-SW19-1	Filenet Upgrades 2019-CAP	$306,189
ITF-SC-000121-SW19-1	Microsoft Software Upgrades 2019-CAP	$1,879,983
ITS-SC-000590-1	Hybrid Cloud Computing Project - Cap	$5,093,699
ITS-SC-000607-1	Filenet Continuous Improvement - CAP	$594,706
XIT-000003-1	Total Capital	$2,709,961
XIT-000020-1	Total Capital	$4,079,799

9.16. **Work Order Testing**: Follow-up response to data requests BRC 1-INT-002, Attachment 2 and BRC 2-INT-001. The following is an excerpt from BRC 2-INT-001.

> *"Please note that workorders 996263 is an AMI related workorders that was excluded from Rider DCR. These balances were included in BRC Set 1-INT-*

> *002 Attachment 1 Confidential because they reside in Rider DCR depreciation groups. However, they were excluded from the Rider DCR balances. This work order was included in the "Act-Exclusions" and "Est-Exclusions" tabs in BRC Set 1-INT-001 Attachment 1 Confidential to be removed from Rider DCR."*

BRC 1-INT-002 Attachment 2 identifies the following list of work orders within the AMI depreciation group:

- 206214630
- **995253**
- 997121
- 997229
- 997373
- CE-001380-DO-MSTM
- CE-001436-DO-MSTM
- CE-001445-DO-MSTM
- 997421
- 14637220
- 14695607
- 14972792
- PA206446360
- CE-900477-CCOH-ADJ
- ZZ_LIFE_AUTO
- CE-159140-ERRORS
- 16736254
- 15896476
- 14652770
- 14658463
- 14846864
- 14859837
- 14910151

a. Please provide the total work order activity for the AMI work order noted within the response to BRC 2-INT-001 – 996263 since it is not listed in BRC 1-INT-002 Attachment 2 and the charges were in FERC 39120-Data Processing Equipment.
b. If work order 996263 is not an AMI workorder, please provide all information asked for in the BRC 2-INT-001 request.
c. Please provide the supporting detail and reasons(s) for the $(831,533.76) credit.

9.17. **<u>Variance Analysis—Reference Response to BRC Set 3-INT-1 Attachment 1 Confidential.pdf:</u>** The Companies' response for part (d)(v) of this request provided the detail regarding CEI FERC account 366 activity, totaling $5,195,741 in additions and $(4) in retirements. Please provide an explanation for why there were only $(4) in retirements.

9.18. **<u>Variance Analysis—Reference Response to BRC Set 3-INT-2:</u>** The Companies' **response** for part (c)(i)(b) stated that CEI FERC account 303 did not have a decrease from 2019 to 2020. While the overall account did not have a decrease, according to the Companies' response to

BRC Set 1-INT-017, Attachment, CEI had a separate designation for FERC account 303 regarding SmartGrid (SG), which changed from $(420,540) on 11/30/2019 to $(529,413) on 11/30/2020. Please provide a detailed explanation for the decrease.

SUBMITTED SET 10 – 3/4/21

10.1. **Workorder Testing:** Follow-up to Data Request BRC-Set 2-INT-1 Attachment 1. For the following work orders, please explain if the manhole-casting adjustments required the replacement of manholes. If not, what was done to consider this work as capital?

Work order	Description	Additions
CECO 14861458	E55th St Broadway to Superior - CEI UG	$738,285
CECO 15599597	2018 Cleveland Resurf Proj - CEI UG MH	$89,885

10.2. **Workorder Testing:** Follow-up to Data Request BRC-Set 2-INT-1 Attachment 1. Please explain how a program to gather costs and planning is considered capital and not Preliminary Survey and Investigation. How is this work order closed to Utility Plant without a unit of property?

Work order	Description	Total
OECO 16080601	Equip Investigate/Repair - Circuit Break	$350,424
OECO 16405672	Equip Investigate / Repair - Regulator	$96,499

10.3. **Workorder Testing:** Follow-up to Data Request BRC-Set 2-INT-1 Attachment 1, TECO Work Order 15803443- Livis Park SS, Alcatel 7705-8 router, $344,646. Please provide the scope and justification for the work order.

10.4. **Workorder Testing:** Follow-up to Data Request BRC-Set 2-INT-1 Attachment 2, FECO Work Order ITS-SC-000590-1 Hybrid Cloud Computing Project, $5,093,699. What Data Processing Equipment was purchased?

10.5. **Workorder Testing**: Follow-up to Data Request BRC-Set 1-INT-2 and 2-INT-1. Please explain why the in-service date provided in BRC Set 1-INT-2 is different than the in-service date provided in BRC Set 2-INT-1 for the following work orders.

Work order	Description	BRC 1-INT-2 In-Service Date	BRC 2-INT-1 In-Service Date
IF-OE-000131-1	OE - Elyria Remove UST/Add AST	12/31/18	3/27/19
IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	6/28/19	6/21/19
IF-TW-000025-1	TE - Holland Replace Office Roof	12/29/17	5/1/18

10.6. **Workorder Testing**: Follow-up to Data Request BRC Set 2-INT-1. For the following workorders:

a. Please explain why the work order closing was delayed and also calculate any over accrual of AFUDC.

b. If the Company determines that AFUDC was not over accrued for the project, please explain why.

Work order	Description	In-Service Date	Need Date	Days past Need Date	AFUDC
13300165	Mantua Sub-2012 SCADA Installations on D	4/29/20	8/1/18	637	$422,177
14431541	CARROLL SUB INSTALL SCADA	8/19/20	12/31/19	232	$197,170
16622904	Equip Investigate/Repair - Transformer O	10/20/20	11/5/19	350	$3,582
IF-TW-000025-1	TE - Holland Replace Office Roof	5/1/18	12/31/17	121	$24,226
15776111	SB Order for Defiance SW Ckt Switcher	12/5/19	5/31/19	188	$30,639

10.7. **Workorder Testing**: Follow-up to Data Request BRC Set 2-INT-1. For the following workorder, the Company explained that the variance of actual cost to budget was created by a changing timeline or a delay. Please explain what the changing timeline was for and who (or what) caused the timeline to change.

Work order	Description	Additions
14861458	E55th St Broadway to Superior - CEI UG	$738,285
15599597	2018 Cleveland Resurf Proj - CEI UG MH	$89,885
OE-700626-SW19	IT New Credit Card Vendor	$160,826

DATA REQUEST SET 11 SUBMITTED 3/17/21

11-1. Follow up to data Request response BRC-Set-1-INT-28. Part b of the Company response indicated that no new Riders were approved during the audit period.
   a. How do the companies track the Distribution Modernization Platform (DMP) vs the DCR to ensure there is no double recovery?
   b. Please provide examples as appropriate.

11-2. Follow up to DR response BRC-SET-4-INT-2 and attachment 1. SOX Compliance Audits: Please confirm that the audits not listed on attachment 1 (A, C, D, and F-O) did not result in any significant control deficiencies.

11-3. Follow-up to Data Request response BRC Set 9-INT-008. Work Order CECO CE-000827-TQ – Implement New Mobile Radio System. $(412,671).
   a. What was the original in-service date of the project?
   b. Was AFUDC accrued on the project? If so, what was the over-accrual associated with the incorrect charge of $412,571 that was adjusted out to Expense in September 2020?
   c. What was the over accrual of depreciation expense on the $412,571?

11-4. Follow-up to Data Request BRC Set 9-INT-010. For the following work orders, please provide the cost of removal and the date(s) booked.

IF-OE-000131-1	OE - Elyria Remove UST/Add AST	$436,786
IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	$622,765
IF-OE-000136-1	OE - Fairlawn 4 Replace Roof Rf03	$256,760
IF-OE-000137-1	OE - Fairlawn 4 Replace Roof Rf04	$463,839
IF-SC-000247-1	SvcCo - Fairlawn Remittance Ctr Reno	$694,310

11-5. Follow-up to Data Request BRC Set 9-INT-010. For the following work orders, please provide the estimated or actual retirements and cost of removal to be recorded.

a. Work Order IF-OE-000135-1– OE Fairlawn 6 Repl. Fence enclosure, $107,747
b. Work Order 15599597m – 2018 Cleveland Resurf Proj> CEO UG MH, $89,885

11-6. Follow-up to Data Request BRC Set 9-INT-012. For the following work orders, please provide the amount of the retirement.

a. Work Order 14861458 – E55th Street Broadway to Superior – CEI UG, $738,285
b. Work Order 13509122 – NB IDS Waste Inc. Geneva Landfill PJM, $628,039
c. Work Order 16080601 – Equip Investigate/Repair – circuit Break, $350,424
d. Work Order 16405672 – Equip Investigate /Repair – Regulator, $96,499
e. Work Order 16477291 – Repairs associated with BH 5 Fire in you, $253,966

11-7. Follow-up to Data Request response BRC Set 9-INT – 013. The Company response indicated that all the work orders listed below had incomplete work order unit estimates and, therefore, could not be moved from 107 CWIP to 106 Plant in Service not Classified.

15599597	2018 Cleveland Resurf Proj - CEI UG MH	$89,885	1/9/19
IF-CE-000092-1	CE - Woodland Substation Rpl Roof	$428,007	12/31/18
IF-OE-000131-1	OE - Elyria Remove UST/Add AST	$436,786	3/27/19
IF-OE-000132-1	OE - Massillon SC Remove UST/Add AST	$622,765	6/21/19
IF-OE-000135-1	OE - Fairlawn 6 Rpl Fence Enclosure	$107,247	10/29/18
IF-OE-000136-1	OE - Fairlawn 4 Replace Roof Rf03	$256,760	12/4/19
IF-OE-000137-1	OE - Fairlawn 4 Replace Roof Rf04	$463,839	12/4/19
IF-SC-000247-1	SvcCo - Fairlawn Remittance Ctr Reno	$694,310	9/28/17
IF-TW-000025-1	TE - Holland Replace Office Roof	$392,419	5/1/18
TW-700527-2017R1	IT ARCOS Callout Implementation 2017R1	$35,972	1/8/18

a. Did any of the work orders over accrue AFUDC by virtue of remaining in CWIP? If so, please provide the amount of over accrued AFUDC by work order number.
b. If AFUDC was not over-accrued, please explain why not.

11-8. Follow-up to Data Request BRC Set 9-INT-014. Work Order IF-TW-00025-1 TE-Holland Replace Office Roof, $392,419.

a. Does the Company agree that if Cost of Removal was recorded during the period November 2016 to May 2018 that the original assets were no longer in-service as of May 2018? If not, why not?
b. Does the Company agree that If the retirements were not recorded until August 2020, those assets would have remained in the plant records from May 2018 through August 2020? If not, why not?
c. Please provide the amount of the over-accrued depreciation from May 2018 through August 2020.

11-9. Follow-up to Data Request BRC Set 9-INT-017 (Variance analysis).

Part 1. For 27 work orders totaling #2,333.751.50—

a. Please provide the in-service dates and amounts for each work order.
b. For those work orders that are replacement work, please provide the associated Cost of Removal by work order.
c. Please provide the FERC accounts charged by work order.
d. Does the Company agree that as of 11/30/2020 Plant in Service is overstated by $935,111.31? If not, why not?

Part 3. For 28 work orders totaling $2,885,344.73—

a. Please provide the in-service dates and amounts for each work order.
b. Please provide the retirement amounts by work order.
c. Please provide the FERC accounts charged by work order.
d. Please provide the Cost of Removal by work order, as applicable.

11-10. Follow-up to Data Request BRC Set 9-INT-006. For work orders CE-900477 CCOH -ADJ and OE 900477 CCOH – ADJ—

a. Please separately provide the total dollars included in the DCR for Restricted Stock unit costs, part of long-term incentive pay (LTIP) program and Performance Share costs, part of LTIP program. Include the work order numbers, type, and amount for each.
b. Were Restricted Stock and Performance shares included in base rates?

SUBMITTED SET 12 – 3/26/21

12.1. **Grid Mod 1**: Follow-up to BRC Set 1-INT-026 Attachment 2. The total list of work order activity within the Grid Mod 1 Work Order Activity tab does not agree with the change from the 2019 to 2020 Plant Balances. Please explain.

11/30/19	11/30/20	Change		Difference

Company	Gross	Gross	Gross	Grid Mod 1 Work Order Activity	
CEI	$274,004	$46,839,172	$46,565,168	$46,465,168	-$100,000
OC	$1,445,313	$57,298,439	$55,853,126	$55,853,126	$0
TE	$414,807	$19,679,549	$19,264,742	$19,264,742	$0
Total	$2,134,124	$123,817,160	$121,683,036	$121,583,036	-$100,000

12.2. **ATSI Exclusion**: Please provide a list of work orders by FERC account used for the ASTI Land Lease from December 2019 through November 2020.

~~12.3. **ATSI Exclusion:** OECO 16216862 - COR ATSI-OE Barberton RTU Replacement 13—$(76,840). Please provide supporting documentation on the above-mentioned work order to FERC 362.~~

12.3. **ATSI Exclusion:** Follow-up to BRC 1-INT-001 and BRC 1-INT-002. The Compliance Filing (BRC 1-INT-001 Attachment 1) indicates that ATSI is charged to FERC 350 (Land and Land rights). Please explain the following:

a. Why does OECO work order 16216862--COR ATSI-OE Barberton RTU Replacement 13 have charges to FERC 362 (Station Equipment)?
b. Are those charges included in the DCR Revenue Requirement?
c. If so, please explain why those charges should be recovered through the DCR.

12.4. **Vegetation Management:** Follow-up to BRC Set 1-INT-036 Attachment 1 Confidential. Please provide the total by operating company, by work order, **and by FERC Account** that was charged to the DCR and capitalized to the following charge codes in the period December 1, 2019, through November 30, 2020:

a. Cost Category 05—Off Corridor or removal of on corridor tree with overhang
b. Cost Category 36—Cut Tree in the Clear Off Corridor No Future Maintenance Required.
c. Cost Category 14—Overhead Limb Removal
d. Cost Category 30—Property Owner Notification Capital

12.5. Follow-up to Data Request response BRC Set 10-INT-1.

a. Please describe the scope of work that is involved with adjusting and resetting of the manhole castings when it does not involve the replacement of the entire underground manhole structure.
b. Does the Company consider the manhole covers and castings that were not replaced a Betterment? If so, please cite where in the Code of Federal Regulations (18 CFR) this is allowed.
c. Please provide any internal policies that support Betterments, including the criteria used to conclude that this work, without replacement, was a Betterment.
d. Are manhole covers and/or castings a unit of property?
e. For each of the work orders listed, please provide the count of how many manhole covers and/or castings were reused and the count of how many were replaced.
f. For each of the work orders listed, please provide the count of how many underground manhole structures were replaced versus just the castings adjusted.

SET 13 SUBMITTED 4/15/21

13-1. Follow-up to Data Request BRC Set 9-INT-006. For the population of work orders that covers the period January 1, 2020, through December 31, 2020, that was previously provided in response to BRC Set 1-INT-002 please provide the following items:
   a. The dollars individually by work order number for Restricted Stock Unit costs of the long-term incentive pay (LTIP) program.
   b. The dollars individually by work order number for Performance Share Costs of the LTIP program.

SET 14 SUBMITTED 5/14/21

14-1. Please provide retirement detail for the following work orders.
   a. Work Order CE-001377-DO-MSTM: Total Distribution
   b. Work Order CE-001524-DO-MSTM: Total Distribution Line
   c. Work Order 15989044: MEDINA - HARMONY REGULATOR UPGRADE to 43
   d. Work Order OE-003049-DO-MSTM: OE MSTM 6 2/23/19 WIND EVENT.
   e. Work Order 15604349: Repl #1 69-34kV Xfmr

14-2. Follow-up to Data Request response BRC Set 9-INT-008, CECO Work Order CE-00827-TQ. The response indicated that in September 2020, the Companies identified and corrected MARCs Radio user fees that had been capitalized.
   a. Please provide the FERC account, amount, and date for each time the MARCs Radio user fees were recorded as capital.
   b. The Company states it will include an adjustment to Rider DCR revenue requirements in a future DCR filing. What is the total cumulative impact to the revenue requirements? Please provide the calculation.

APPENDIX D: WORK PAPERS

Blue Ridge's workpapers are available on a confidential CD. The Filing included the following workpapers.

- Adjustments
    - Adj-1, 2, 3 VEG Mgmt BRC Set 1-36 Attachment 1 CONFIDENTIAL.pdf
    - Adj-1, 2, 3 VEG MGMT BRC Set 1-INT-036.pdf
    - Adj-4, 5 Overaccrued AFUDC DR 9-3.pdf
    - Adj-6 Overaccured AFUDC DR 10-6.pdf
    - Adj-6 Overaccured AFUDC DR 11-8.pdf
    - Adj-7 LTIP BRC Set 2-1 .pdf
    - Adj-7 LTIP BRC Set 2-1 Attachment 1 CONFIDENTIAL.pdf
    - Adj-7 LTIP BRC Set 2-1 Attachment 1 CONFIDENTIAL.xlsx
    - Adj-7 LTIP BRC Set 9-6.pdf
    - Adj-7 LTIP BRC Set 11-10.pdf
    - Adj-7 LTIP BRC Set 13-1.pdf
    - Adj-7 LTIP Composite Depr WP.pdf
    - Adj-8, 9 Delayed Retirement BRC Set 11-INT-005.pdf
    - Adj-10, 11, 12, 13, 14 COR BRC Set 11-INT-004.pdf
    - Adj-10, 11, 12, 13, 14 Delayed Retirement DR 9-10.pdf
    - Adj-15 Delayed Retirement DR 11-6.pdf
    - Adj-16, 17, 18, 19 Delayed Retirement DR 9-12.pdf
    - Adj-24 Non Capital DR 9-8.pdf
    - Adj-24 Radio User Fees BRC Set 14-INT-002 Attachment 1.xlsx
    - Adj-24 Radio User Fees BRC Set 14-INT-002.pdf
    - FE Adjustments 210514.xlsx
    - WP BRC Set 1-INT-002 Attachment 1 - Confidential (for adjustments).xlsx
- Pulling Sample
    - WP BRC Set 1-INT-002 - Attachment 1 - Confidential - Sample Charlie Suggestions +TMK.xlsx
    - WP BRC Set 1-INT-002 - Attachment 1 - Confidential - Sample.xlsx
    - WP FEOH 2020 Sample Size Calculation Work Orders through 11-30-20 - CONFIDENTIAL .xlsx
- WP BRC Set 1-INT-001 Att 1, Att 3, 1-INT-002, 1-INT-005 RECONCILLIATION (2019 vs 2020).xlsx
- WP BRC Set 1-INT-002 Attachment 1 - Confidential - Exclusions against Population.xlsx
- WP BRC Set 1-INT-002 Attachment 1 – Confidential against BRC Set 1-INT-036 – Confidential – Veg Managment.xlsx
- WP BRC Set 1-INT-026 Attachment 2 - Confidential - GM1.xlsx
- WP BRC Set 1-INT-36 Attachment 1 Confidential Veg Managment Cost Code.xlsx
- WP BRCS FE DCR CF Variance 2021—Confidential.xlsx

- WP FEOH 2020 Pre-Date Certain Pension Impact Analysis 2012-2020 - CONFIDENTIAL.xlsx
- WP FEOH 2020 Workorder Testing Matrix FINAL.xlsx
- WP Impact of Adjustments BRC Set 1-INT-001 Attachment 1 - FE DCR Compliance Filing 1.5.2021 - Confidential R1.xlsx
- WP LED Exclusions.xlsx
- WP PUCO 10-K Request Attachment 1 Confidential Tables for Report.xlsx
- WP Reconciliation of Activity FINAL.xlsx
- WP V&V – FE DCR Compliance Filing 1.5.2021 – Confidential v_33121.xlsx

Case No. 20-1629-EL-RDR

Expanded Scope

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Tables

EXECUTIVE SUMMARY

The PUCO directed Blue Ridge Consulting Services, Inc. ("Blue Ridge") to expand the scope of its Rider DCR audit in Case No. 20-1629-EL-RDR to include a review of the responses of The Cleveland Electric Illuminating Company (CE), Ohio Edison Company (OE), and The Toledo Edison Company (TE), collectively, "FirstEnergy" or "Companies," to Staff's request for information dated February 18, 2021.

The expanded scope review had the following specific purpose based upon the Commission's Entry:

- To determine whether any funds collected from ratepayers were used to pay the vendors
- If ratepayer funds were used, to determine whether the funds associated with those payments should be returned to ratepayers through Rider DCR or through an alternative proceeding
- In the event that Blue Ridge or Staff find that ratepayers would be entitled to a refund in an alternative proceeding, to have Blue Ridge or Staff file a supplemental report that references and incorporates the relevant findings of Blue Ridge and Staff in that proceeding

FirstEnergy provided a list of 346 payment records, totaling $24.46 million. The payments were recorded to capital and O&M expense accounts that may have been collected from customers.

Table 1: Total Payments by Company—Capital and O&M Expense

Description	CE	OE	TE	Total
Capital	$ 2,952,893	$ 3,336,631	$ 1,156,049	$ 7,445,573
O&M Expense	7,925,271	6,974,079	2,116,038	17,015,387
Total	**$ 10,878,164**	**$ 10,310,710**	**$ 3,272,087**	**$ 24,460,960**

Blue Ridge understands *how* costs were settled to the Ohio operating companies but not *why* FirstEnergy believed it was appropriate to record these charges to the Ohio operating companies to be possibly included in rates charged to customers. However, determining the reason is beyond the scope of Blue Ridge's analysis.

During Blue Ridge's review of the payments and supporting documentation, we observed that a number of vendors appeared to be related parties. Of the 17 various vendors, 12 were identified as related to Thomas T. (Tony) George, two were related to Sam Randazzo, and the remaining three vendors were unsupported transactions with no identified related party.

Blue Ridge compared the supporting documentation to the payments and found that payments for several vendors were supported, while other payments were either only partially supported or not supported with documentation.

FirstEnergy stated, "in some instances, the vendor transactions extend back over ten years and/or lack proper supporting documentation, and additional documentation is not available."[1] In other responses to requests for specific invoices, purchase orders, contracts, and agreements, FirstEnergy stated, "The Companies do not have additional supporting documentation at this time, and do not know why such information is not available. Because supporting information is not

[1] Response to BRC AS-Set 1-INT-012 Confidential.

available, the Companies are conservatively and proactively recommending to refund customers any costs that impacted rates that did not have sufficient supporting documentation."[2]

Blue Ridge's analysis focused on whether FirstEnergy used any funds collected from ratepayers to pay the vendors and, if ratepayer funds were used, to determine if and how the Company should return the funds associated with those payments to ratepayers.

Blue Ridge reconciled the payments to a recovery mechanism and recommends the refunds in the following table.

Table 2: Recommended Refunds by Recovery Mechanism and Ohio Operating Company

Recovery Mechanism	CE	OE	TE	Total
Base Rates-Refund through non-bypassable rider	$ 1,962,811	$ 311,097	$ 132,580	$ 2,406,488
Rider DSE-Refund through final reconciliation	1,489,640	1,805,510	854,851	$ 4,150,001
Rider DCR	-	-	-	-
Pole Attachment-Adjust in next Pole Attachment rate filing	22,325	47,656	12,869	82,850
Total Recommended Refunds	**$ 3,474,776**	**$ 2,164,263**	**$ 1,000,300**	**$ 6,639,339**

In addition to the refunds, Blue Ridge recommends that the $7,445,573 recorded as capital be identified and excluded from rate base in any future base rate case.

BACKGROUND THAT LED TO THE EXPANDED SCOPE

The Executive Summary of FirstEnergy's SEC filing Form 10-K for the fiscal year ended December 31, 2020, included the following disclosures:

> On July 21, 2020, a complaint and supporting affidavit containing federal criminal allegations were unsealed against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. Also, on July 21, 2020, and in connection with the investigation, FirstEnergy received subpoenas for records from the U.S. Attorney's Office for the S.D. Ohio. FirstEnergy was not aware of the criminal allegations, affidavit or subpoenas before July 21, 2020. In addition to the subpoenas referenced above, the OAG, certain FE shareholders and FirstEnergy customers filed several lawsuits against FirstEnergy and certain current and former directors, officers and other employees, each relating to the allegations against the now former Ohio House Speaker Larry Householder and other individuals and entities allegedly affiliated with Mr. Householder. In addition, on August 10, 2020, the SEC, through its Division of Enforcement, issued an order directing an investigation of possible securities laws violations by FE, and on September 1, 2020, issued subpoenas to FE and certain FE officers.
>
> As previously disclosed, a committee of independent members of the Board of Directors is directing an internal investigation related to ongoing government

[2] Responses to BRC AS-Set 2-INT-006 Confidential, BRC AS-Set 2-INT-007 Confidential, BRC AS-Set 2-INT-012 Confidential, BRC AS-Set 2-INT-015 Confidential, and BRC AS-Set 2-INT-016 Confidential.

> investigations. In connection with FirstEnergy's internal investigation, such committee determined on October 29, 2020, to terminate FirstEnergy's Chief Executive Officer, Charles E. Jones, together with two other executives: Dennis M. Chack, Senior Vice President of Product Development, Marketing, and Branding; and Michael J. Dowling, Senior Vice President of External Affairs. Each of these terminated executives violated certain FirstEnergy policies and its code of conduct. These executives were terminated as of October 29, 2020. Such former members of senior management did not maintain and promote a control environment with an appropriate tone of compliance in certain areas of FirstEnergy's business, nor sufficiently promote, monitor or enforce adherence to certain FirstEnergy policies and its code of conduct. Furthermore, certain former members of senior management did not reasonably ensure that relevant information was communicated within our organization and not withheld from our independent directors, our Audit Committee, and our independent auditor. Among the matters considered with respect to the determination by the committee of independent members of the Board of Directors that certain former members of senior management violated certain FirstEnergy policies and its code of conduct related to a payment of approximately $4 million made in early 2019 in connection with the termination of a purported consulting agreement, as amended, which had been in place since 2013. The counterparty to such agreement was an entity associated with an individual who subsequently was appointed to a full-time role as an Ohio government official directly involved in regulating the Ohio Companies, including with respect to distribution rates. FirstEnergy believes that payments under the consulting agreement may have been for purposes other than those represented within the consulting agreement.
>
> Immediately following these terminations, the independent members of its Board appointed Mr. Steven E. Strah to the position of Acting Chief Executive Officer and Mr. Christopher D. Pappas, a current member of the Board, to the temporary position of Executive Director, each effective as of October 29, 2020. Mr. Donald T. Misheff will continue to serve as Non-Executive Chairman of the Board. Additionally, on November 8, 2020, Robert P. Reffner, Senior Vice President and Chief Legal Officer, and Ebony L. Yeboah-Amankwah, Vice President, General Counsel, and Chief Ethics Officer, were separated from FirstEnergy due to inaction and conduct that the Board determined was influenced by the improper tone at the top. The matter is a subject of the ongoing internal investigation as it relates to the government investigations.
>
> ***Also, in connection with the internal investigation, FirstEnergy recently identified certain transactions, which, in some instances, extended back ten years or more, including vendor services, that were either improperly classified, misallocated to certain of the Utilities and Transmission Companies, or lacked proper supporting documentation. These transactions resulted in amounts collected from customers that were immaterial to FirstEnergy, and the Utilities and Transmission Companies will be working with the appropriate regulatory agencies to address these amounts.*** [emphasis added][3]

On February 18, 2021, the Public Utilities Commission of Ohio (PUCO) Staff issued the following request for information.

[3] FirstEnergy Form 10-K fiscal year ended December 31, 2020, page 28.

Request:
On page 28 of the 10K filed on February 18, 2021, FirstEnergy Corporation disclosed the following:

> *"Also, in connection with the internal investigation, FirstEnergy recently identified certain transactions, which, in some instances, extended back ten years or more, including vendor services, that were either improperly classified, misallocated to certain of the Utilities and Transmission Companies, or lacked proper supporting documentation. These transactions resulted in amounts collected from customers that were immaterial to FirstEnergy, and the Utilities and Transmission Companies will be working with the appropriate regulatory agencies to address these amounts."*

As it relates to FirstEnergy Corporation and its affiliates' Ohio operations, please provide materials responsive to the following data requests no later than February 23, 2021, unless otherwise agreed to by Staff:

1) The names of the vendors associated with the transactions referenced above;
2) The date of each transaction;
3) The nature or type of each transaction;
4) The amount associated with each transaction; and
5) The underlying purchase order, contract and/or agreement associated with each transaction referenced above.

First Energy provided a response, and on March 8, 2021, the PUCO Staff filed a letter in Case No. 20-1629-EL-RDR, requesting that the Commission expand the scope of the 2020 annual audit of FirstEnergy's delivery capital recover rider (DCR) in progress in Case No. 20-1629-EL-RDR. Specifically, Staff notes that following a review of the 10K filed by FirstEnergy Corp. on February 18, 2021, Staff immediately filed a data request with the Companies for additional records related to the disclosure of "certain transactions . . . that were either improperly classified, misallocated . . . or lacked supporting documentation" according to the 10K. The Companies responded to this data request on February 25, 2021. Based upon the response to the data request, Staff recommended that the Commission expand the scope of the audit in this case and direct Blue Ridge to review the disclosed transactions to determine whether funds collected from ratepayers were used to pay the vendors and, if so, whether the funds associated with those payments should be returned to ratepayers in this proceeding or in an alternative proceeding.

The Commission agreed with Staff's recommendation in an entry dated March 10, 2021, in Case No. 20-1629-EL-RDR:

> {¶ 8} The Commission agrees with the recommendation filed by Staff. Expansion of the scope of the review by the independent auditor in this case to include the disclosed vendor payments is consistent with our commitment to act in a reasoned and methodical manner, based upon facts rather than speculation, in light of the recent allegations surrounding FirstEnergy Corp. *In the Matter of the Review of Ohio Edison Co., Cleveland Elec. Illum. Co., and Toledo Edison Co.'s Compliance with R.C. 4928.17 and Ohio Adm. Code 49.1:1-37*, Case No. 17-974-EL-UNC, Entry (Nov. 4, 2020) at ¶ 17. Therefore, the Commission directed Blue Ridge to expand the scope of its review in this proceeding to determine whether any funds collected from ratepayers were used to pay the vendors and if so,

> whether the funds associated with those payments should be returned to ratepayers through Rider DCR or through an alternative proceeding. Pursuant to Staff's recommendation, in the event that Blue Ridge or Staff find that ratepayers would be entitled to a refund in an alternative proceeding, Blue Ridge or Staff should file a supplemental report that references and incorporates the relevant findings of Blue Ridge and Staff in that proceeding.[4]

Blue Ridge expanded its contract with FirstEnergy to perform the audit on March 25, 2021, and subsequently began its analysis.

Purpose and Scope of Expanded Scope Review

The expanded scope review had specific purpose based upon the Commission's Entry:

- To determine whether any funds collected from ratepayers were used to pay the vendors
- If ratepayer funds were used, to determine whether the funds associated with those payments should be returned to ratepayers through Rider DCR or through an alternative proceeding
- In the event that Blue Ridge or Staff find that ratepayers would be entitled to a refund in an alternative proceeding, to have Blue Ridge or Staff file a supplemental report that references and incorporates the relevant findings of Blue Ridge and Staff in that proceeding

The project's scope incorporates Staff's request for information dated February 18, 2021, and the Confidential response provided by the Companies on February 25, 2021. Since the response that is subject to review in this project has been identified as confidential pursuant to O.R.C. 4901.16, Blue Ridge's report was initially labeled as confidential. In an email dated August 2, 2021, FirstEnergy agreed that the report, including the appendices, would not need to be redacted when filed with the Commission.[5]

Overview of Provided Information

FirstEnergy's response to Staff's February 18, 2021, request for information included a list of certain vendor transactions, including the costs (or portions of the costs) that were charged to The Cleveland Electric Illuminating Company, Ohio Edison Company, or The Toledo Edison Company. The response included 346 line items, presenting vendor, year, period, FERC account, and classification of the payment by company and by O&M expense or capital. In addition, FirstEnergy identified (1) costs included in retail rates that will be refunded to customers; (2) costs included in calculations supporting retail rates but that did not impact retail rates (i.e., Rider DCR); and (3) costs included in the calculation of other rates (i.e., Pole Attachment). The Company also provided the available purchase orders, contracts, and agreements underlying the transactions.

Total Payments Reported

The payment information is summarized below by company and by O&M Expense and Capital.

[4] Case No. 20-1629-EL-RDR Entry (March 10, 2021).
[5] Email from Brian J. Knipe dated August 2, 2021, 4:27 pm.

Table 3: Total Payments by Company—Capital and O&M Expense

Description	CE	OE	TE	Total
Capital	$ 2,952,893	$ 3,336,631	$ 1,156,049	$ 7,445,573
O&M Expense	7,925,271	6,974,079	2,116,038	17,015,387
Total	**$ 10,878,164**	**$ 10,310,710**	**$ 3,272,087**	**$ 24,460,960**

PAYMENTS BY VENDOR

FirstEnergy also provided a description of the nature or type of the transactions provided. The following table summarizes the vendors, the number of payments, the amounts, the nature or types of transactions, and the mechanism that the payments were recovered through.

Table 4: Payments by Vendor with Explanation of Nature or Type of Transaction and Recovery Mechanism

			Payments				
#	Vendor Name	# of Pymt	Capital	O&M	Total	FE Explanation of Nature or Type of Transaction(s)	Recovery Mechanism
1	#1 MEDIA, a division of Josie G Inc.	27	$ -	$ 995,095	$ 995,095	Purchase of billboards Event sponsorships	2007-2008 Base Rates 2014–2015 Pole Attach
2	JOSIE G INCORPORATED	56	$ 56,700	$ 1,239,550	$ 1,296,250	Purchase of billboards Event sponsorships	2015, Rider DCR, Pole Attach 2015–2019 Pole Attach
3	1224 PLAYHOUSE LLC	1	$ -	$ 5,474	$ 5,474	Electric work for 1224 Playhouse LLC	2016 Pole Attach
4	2125 SUPERIOR HOLDING LLC	1	$ -	$ 35,657	$ 35,657	Economic Development Grant for line extension charges for underground electric service for conversion of warehouse to apartments and commercial space.	2016 Pole Attach
5	AWAKENING ANGELS	2	$ 4,556	$ 9,201	$ 13,757	Contributions to non-profit	2014-Rider DCR, Pole Attach 2019 Pole Attach
6	DJM LAKESIDE LLC	50	$ 154,000	$ 441,690	$ 595,690	Real estate lease for storage at 4900 Lakeside Ave., Cleveland, Ohio 44115	2015–2019 Pole Attach
7	ECOEARTH ENERGY LLC	4	$ 42,888	$ 2,182,752	$ 2,225,640	Energy efficiency general awareness marketing campaigns (purchase of billboards) Payments pursuant to alternative energy consulting invoices	2017 Rider DCR, Pole Attach 2018–2019 Roder DSE. Pole Attach
8	GENERATION NOW INCORPORATED	4	$ 201,739	$ 154,061	$ 355,800	Contributions to 501(c)(4) organization	2017 Rider DCR, Pole Attach
9	GEORGE FAMILY ENTERPRISES LTD	20	$ 350,000	$ 430,682	$ 780,682	Real estate lease for service center at 7001 Euclid Ave., Cleveland, Ohio 44103	2018–2019 Pole Attach
10	GEORGE GROUP FINANCIAL SOLUTIONS IN	4	$ 10,524	$ 19,951	$ 30,475	Establishment of a FirstEnergy Credit Card and a FirstEnergy Debit Card, a FirstEnergy Prepaid Card, and FirstEnergy Affiliate Card Program(s)	2015 Rider DCR, Pole Attach 2015 Pole Attach
11	HARDWORKING OHIOANS	1	$ 100,416	$ 76,684	$ 177,100	Corporate sponsorship	2018 Rider DCR, Pole Attach
12	IEU-OHIO ADMINISTRATION COMPANY	2	$ -	$ 1,000,000	$ 1,000,000	Energy efficiency support services funding	2014–2015 Pole Attach
13	JOBOB INCORPORATED	99	$ 16,090	$ 729,503	$ 745,593	Payments pursuant to consulting invoices Payments pursuant to Block Chain Technology invoices	2018-2019 Rider DCR, Pole Attach 2020 Rider DCR
14	MEMPHIS 55 INCORPORATED	1		$ 7,808	$ 7,808	FirstEnergy event at Crop Bistro	2019 Pole Attach
15	OHIO OUTDOOR ADVERTISING LLC	49	$ 21,056	$ 2,577,701	$ 2,598,757	Purchase of billboards Ohio energy efficiency general awareness marketing campaigns (purchase of billboards)	2015–2019 Pole Attach 2016-2017 Rider DCR, Pole Attach 2019 Rider DSE, Pole Attach 2020 Rider DSE
16	SUSTAINABILITY FUNDING ALLIANCE	22	$ 6,487,604	$ 6,954,378	$ 13,441,982	Energy efficiency funding (2010-2016 annual payments of $1 million each) Payments pursuant to Consulting Services Agreement and Amendments (2013-2018)	2014–2015 O&M Pole Attach 2014–2018 Rider DCR, Pole Attach
17	THE GEORGE GROUP CORPORATION	3	$ -	$ 155,200	$ 155,200	Economic development grants	2014, 2016 Pole Attach
	Total	**346**	**$ 7,445,573**	**$ 17,015,387**	**$ 24,460,960**		

PAYMENTS BY FERC ACCOUNT

FirstEnergy reported that the payments were recorded to the following FERC accounts.

- 588 Miscellaneous distribution expenses
- 911 Supervision (Major only)
- 921 Office supplies and expenses
- 923 Outside services employed
- 930.1 General advertising expenses
- 930.2 Miscellaneous general expenses
- 931 Rents
- 935 Maintenance of general plant

The payment amounts by FERC account and by Company are summarized below.

Table 5: Payments by FERC Account and Company

FERC	CE			OE			TE			
Account	Capital	O&M	Total	Capital	O&M	Total	Capital	O&M	Total	Total
588	$ 35,000	$ 10,682	$ 45,682	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,682
911	20,300	15,502	35,803	28,596	21,838	50,435	9,598	7,330	16,928	103,165
921	31,399	202,018	233,418	48,232	78,270	126,502	16,107	29,035	45,142	405,062
923	2,340,494	3,728,311	6,068,805	3,259,802	4,918,496	8,178,299	1,130,343	1,929,673	3,060,017	17,307,120
930.1	56,700	1,198,900	1,255,600	-	-	-	-	-	-	1,255,600
930.2	-	1,090,857	1,090,857	-	1,955,474	1,955,474	-	150,000	150,000	3,196,331
931	-	1,539,000	1,539,000	-	-	-	-	-	-	1,539,000
935	-	140,000	140,000	-	-	-	-	-	-	140,000
None	469,000	-	469,000	-	-	-	-	-	-	469,000
Grand Total	**$ 2,952,893**	**$ 7,925,271**	**$10,878,164**	**$ 3,336,631**	**$ 6,974,079**	**$10,310,710**	**$ 1,156,049**	**$ 2,116,038**	**$ 3,272,087**	**$ 24,460,960**

The FERC accounts used are typical O&M and/or A&G expense accounts. Blue Ridge requested an explanation for why capital charges were recorded in O&M-related FERC accounts. The Company stated that the FERC accounts provided are for the O&M costs only. Some of the costs have both capital and O&M portions. In those instances, costs were incurred by FirstEnergy Service Company (FESC), allocated to the Companies, and subjected to the A&G overhead process, whereby a portion of the costs is applied as an overhead to capital projects of the Companies.[6]

The A&G overhead costs described above were applied to all open work orders of the Companies, excluding the Companies' smart grid and Grid Mod I related work orders recovered in Rider AMI, at that time, in the month the cost is originally incurred. Capitalized A&G overhead costs are recorded to FERC account 107, Construction Work in Progress. Therefore, the Companies are unable to determine the specific work orders to which the capital amounts were booked. For purposes of revenue requirement impacts, the Companies conservatively assumed 100% of the capital costs were placed in service in the month the cost was originally incurred at an average depreciation rate.[7]

FirstEnergy identified whether each payment was direct charged or allocated.[8]

[6] Response to BRC AS-Set 1-INT-002a Confidential.
[7] Response to BRC AS-Set 1-INT-002b Confidential.
[8] Response to BRC AS-Set 1-INT-003 Confidential.

Table 6: Direct Charge or Allocated Payments to Ohio Operating Companies

Description	Total
Direct Charge	$ 10,807,111
Allocated	13,653,849
Total	**$ 24,460,960**

The Company explained its processes by which the payments were settled to the Ohio operating companies.

> Direct charges are incurred directly at the Companies and are recorded as O&M and/or capital, based on the accounting cost collector charged when the payment is processed.
>
> Indirect costs are allocated from FirstEnergy Service Company (FESC) to the utility affiliates in accordance with FirstEnergy's Cost Allocation Manual (CAM).
>
> Allocated costs that initially were charged to FESC and settled to both capital and O&M, were charged to cost centers subject to the A&G overhead process. Under this process, a portion of the costs get applied as an overhead to capital projects of the Companies, excluding the Companies' smart grid and Grid Mod I related work orders recovered in Rider AMI at that time. Allocated costs that only settled to O&M were charged to cost centers not subject to the A&G overhead process.[9]

Blue Ridge understands *how* costs were settled to the Ohio operating companies but not *why* FirstEnergy believed, at the time, that it was appropriate to record these charges to the Ohio operating companies to be possibly included in rates charged to customers. However, determining the reason is beyond the scope of Blue Ridge's analysis.

Purchase Orders, Contracts, and Agreements

In response to Staff's and Blue Ridge's information request, the Company provided the available purchase orders, contracts, agreements, and invoices supporting the payments made to 17 vendors identified in the Companies' Response to Staff's Data Requests. FirstEnergy provided 336 documents. Blue Ridge reviewed each supporting document and summarized the information in a workpaper.[10]

In its response to Staff's request for supporting documentation, FE stated, "To be clear, the Companies have not concluded that every transaction referenced on Attachment 1 reflects a transaction that was 'improperly classified, misallocated to [the Companies], or lacked proper supporting documentation.'"[11] Understanding *why* specific vendors were on the list provided by FirstEnergy is beyond the scope of Blue Ridge's analysis. However, in reviewing the documents provided by FirstEnergy, it was found that payments were made to two entities (IEU-Ohio Administration and Sustainability Funding Alliance[12]) that have a relationship to Sam Randazzo, the former chair of the PUCO who recently resigned.

During the review of payment information and supporting documentation, Blue Ridge also noted that a number of the vendors appeared to be related parties. To better understand the relationship

[9] Response to BRC AS-Set 1-INT-004 Confidential.
[10] WP Payments and PO Contracts Invoice Analysis.
[11] Response to Staff's Information Requests.
[12] Blue Ridge workpapers, directory Invoices: 1 – 2010-01-18 Invoice – Confidential.

of the vendors, Blue Ridge researched information available on the Ohio Secretary of State web page. Blue Ridge has provided the research information in its workpapers.[13] Of the 17 various vendors, 12 were identified as related to Thomas T. (Tony) George. There is no clear indication for the reason(s) FirstEnergy identified these payments as inappropriate to charge to the Ohio operating companies. The remaining three vendors were unsupported transactions with no identified related party.

Blue Ridge's analysis focused on whether FirstEnergy used funds collected from ratepayers to pay the vendors and, if ratepayer funds were used, to determine if and how the Company should return the funds associated with those payments to ratepayers.

Blue Ridge compared the supporting documentation to the payments and found that payments for several vendors were supported, whereas other payments were either only partially supported or not supported with documentation. The following table shows the vendors (sorted by related party), summary of payments, supporting documentation provided, and the nature or types of transactions.[14] The color codes identify whether the Companies' provided supporting documentation for the payments. Green represents that most payments had supporting documentation, and pink indicates payments with little or no supporting documentation.

[13] Blue Ridge workpapers, directory Corporate Searches and WP Payments and PO Contracts Invoice Analysis.
[14] WP Payments and PO Contracts Invoice Analysis.

Table 7: Vendors by Related Party, Payments, Supporting Documentation, and Nature/Type of Transaction

#	Vendor Name	# of Pymt	Payments Capital	Payments O&M	Payments Total	Supporting Documents # of Documents	Supporting Documents Total	FE Explanation of Nature or Type of Transaction(s)
Related Parties - Thomas T. George (Tony George)								
1	#1 MEDIA, a division of Josie G	27	$ -	$ 995,095	$ 995,095	74	$ 4,480,000	Purchase of billboards Event sponsorships
2	JOSIE G INCORPORATED	56	$ 56,700	$ 1,239,550	$ 1,296,250	Included above	Included above	Purchase of billboards Event sponsorships
3	1224 PLAYHOUSE LLC	1	$ -	$ 5,474	$ 5,474	1	$ 5,474	Electric work for 1224 Playhouse LLC
4	AWAKENING ANGELS	2	$ 4,556	$ 9,201	$ 13,757	1	$ 20,000	Contributions to non-profit
5	DJM LAKESIDE LLC	50	$ 154,000	$ 441,690	$ 595,690	3	$ 595,690	Real estate lease for storage at 4900 Lakeside Ave., Cleveland, Ohio 44115
6	ECOEARTH ENERGY LLC	4	$ 42,888	$ 2,182,752	$ 2,225,640	6	$ 2,550,000	Energy efficiency general awareness marketing campaigns (purchase of billboards); Payments pursuant to alternative energy consulting invoices
7	GEORGE FAMILY ENTERPRISES LTD	20	$ 350,000	$ 430,682	$ 780,682	8	$ 780,682	Real estate lease for service center at 7001 Euclid Ave., Cleveland, Ohio 44103
8	GEORGE GROUP FINANCIAL SOLUTIONS IN	4	$ 10,524	$ 19,951	$ 30,475	4	$ 47,500	Establishment of a FirstEnergy Credit Card and a FirstEnergy Debit Card, a FirstEnergy Prepaid Card, and FirstEnergy
9	JOBOB INCORPORATED	99	$ 16,090	$ 729,503	$ 745,593	76	$ 634,600	Payments pursuant to consulting invoices Payments pursuant to Block Chain Technology invoices
10	OHIO OUTDOOR ADVERTISING LLC	49	$ 21,056	$ 2,577,701	$ 2,598,757	147	$ 1,436,200	Purchase of billboards Ohio energy efficiency general awareness marketing campaigns (purchase of billboards)
11	THE GEORGE GROUP CORPORATION	3	$ -	$ 155,200	$ 155,200	3	$ 155,200	Economic development grants
12	2125 SUPERIOR HOLDING LLC	1	$ -	$ 35,657	$ 35,657	1	$ 35,657	Economic Development Grant for line extension charges for underground electric service for conversion of warehouse to apartments and commercial space.
	Total	**316**	**$ 655,814**	**$ 8,822,456**	**$ 9,478,270**	**324**	**$10,741,003**	
Related Parties - Sam Randazzo								
13	IEU-OHIO ADMINISTRATION COMPANY	2	$ -	$ 1,000,000	$ 1,000,000	1	$ 500,000	Energy efficiency support services funding
14	SUSTAINABILITY FUNDING ALLIANCE	22	$ 6,487,604	$ 6,954,378	$ 13,441,982	10	$ 2,940,331	Energy efficiency funding (2010-2016 annual payments of $1 million each); Payments pursuant to Consulting Services Agreement and Amendments (2013-2018)
	Total	**24**	**$ 6,487,604**	**$ 7,954,378**	**$ 14,441,982**	**11**	**$ 3,440,331**	
Unsupported Transaction								
15	GENERATION NOW INCORPORATED	4	$ 201,739	$ 154,061	$ 355,800	0	$ -	Contributions to 501(c)(4) organization
16	HARDWORKING OHIOANS	1	$ 100,416	$ 76,684	$ 177,100	0	$ -	Corporate sponsorship
17	MEMPHIS 55 INCORPORATED	1		$ 7,808	$ 7,808	1	$ 7,808	FirstEnergy event at Crop Bistro
	Total	**6**	**$ 302,155**	**$ 238,553**	**$ 540,708**	**1**	**$ 7,808**	
	Grand Total	**346**	**$ 7,445,573**	**$ 17,015,387**	**$ 24,460,960**	**336**	**$ 14,189,142**	

Color Legend
Most payments had support
Little or no support

FirstEnergy stated that, in some instances, the vendor transactions extend back over ten years and/or lack proper supporting documentation, and additional documentation is not available.[15] In other responses to requests for specific invoices, purchase orders, contracts, and agreements, FirstEnergy stated, "The Companies do not have additional supporting documentation at this time, and do not know why such information is not available. Because supporting information is not

[15] Response to BRC AS-Set 1-INT-012 Confidential.

available, the Companies are conservatively and proactively recommending to refund customers any costs that impacted rates that did not have sufficient supporting documentation."[16]

RECOVERY MECHANISM AND REFUND RECOMMENDATION

The detailed payment information provided by First Energy included 346 payments with $7,445,573 recorded to capital and $17,015,387 recorded as an O&M expense. FirstEnergy provided the recovery mechanism for each payment. Blue Ridge reconciled each payment to a recovery mechanism. The capital-recorded payments were reflected in the Rider DCR and/or the Pole Attachment calculation. The table reconciles the capital-recorded payments to their recovery mechanisms.

Table 8: Reconciliation of Capital-Recorded Payments to Recovery Mechanism

	Capital			
Description	**CE**	**OE**	**TE**	**Total**
Payments	$ 2,952,893	$ 3,336,631	$ 1,156,049	$ 7,445,573
Recovery Mechanism				
Base Rates (2007–2008)	-	-	-	-
Rider DSE (2018–2020)	-	-	-	-
Rider DCR (2014–2020)	2,448,893	3,336,631	1,156,049	6,941,573
Pole Attachment (2014–2019)	2,950,457	3,333,628	1,155,017	7,439,102

	CE	OE	TE	Total
<u>Reconciliation to Recovery Mechanism</u>				
Difference between Payments and Pole Attachment	$ 2,436	$ 3,003	$ 1,032	$ 6,471
2020 Capital Not included in Pole Attach	(2,436)	(3,003)	(1,032)	(6,471)
Reconciling Difference	$ -	$ -	$ -	$ -
Difference between Payments and Rider DCR	$ 504,000	$ -	$ -	$ 504,000
Capital Lease Excluded from DCR	(504,000)	-	-	(504,000)
Reconciling Difference	$ -	$ -	$ -	$ -

As shown in the table above, all capital-recorded payments (with the exception of 2020 payments) were reflected in the Pole Attachment calculation. The Pole Attachment calculation is based on inputs from the Companies' most recent FERC Form 1 at the time the rates are filed. Blue Ridge reviewed the tariffs on file with the PUCO and found that the most recent Pole Attachment rate for each Ohio operating company was effective December 31, 2019. Thus, the 2020 FERC Form 1 was not available when those rates were established. Therefore, the 2020 capital-recorded payments have not been reflected in the Pole Attachment calculation and would not be subject to refund.

[16] Responses to BRC AS-Set 2-INT-006 Confidential, BRC AS-Set 2-INT-007 Confidential, BRC AS-Set 2-INT-012 Confidential, BRC AS-Set 2-INT-015 Confidential, and BRC AS-Set 2-INT-016 Confidential.

As shown in the table above, all capital-recorded payments (with the exception of $504,000 for CE capital leases recorded in 2019) were included in the Rider DCR revenue requirements calculation.[17]

Blue Ridge requested an explanation of how charges can be included in both the Rider DCR and the Pole Attachment calculation. FirstEnergy explained that the Pole Attachment formula rates are calculated based on a carrying charge applied to the cost of a pole. Some of the inputs to the carrying charge are plant-in-service balances from the FERC Form 1 that are included in the Rider DCR revenue requirements calculation.[18] As discussed later, Blue Ridge reviewed the Pole Attachment calculations and finds the Company's explanation not unreasonable.

Blue Ridge also reconciled O&M-recorded payments to a recovery mechanism as shown in the following table.

Table 9: Reconciliation of O&M-Recorded Payments to Recovery Mechanism

	O&M Expense			
Description	**CE**	**OE**	**TE**	**Total**
Payments	$ 7,925,271	$ 6,974,079	$ 2,116,038	$17,015,387
Recovery Mechanism				
Base Rates (2007–2008)	172,508	26,012	11,575	210,095
Rider DSE (2018–2020)	1,489,640	1,805,510	854,851	4,150,001
Rider DCR (2014–2020)	-	-	-	-
Pole Attachment (2014–2019)	$ 7,404,623	$ 6,553,697	$ 1,842,031	$15,800,351

Reconciliation of O&M				
Difference between Payments and Pole Attachment	$ 520,647	$ 420,382	$ 274,007	$ 1,215,037
2007–2008 Not Included in Pole Attachment	(172,508)	(26,012)	(11,575)	(210,095)
2020 Expenses not in Pole	(348,140)	(394,369)	(262,432)	(1,004,942)
Reconciling Difference	$ -	$ -	$ -	$ -

As shown in the table above, most O&M-recorded payments were reflected in the Pole Attachment calculation with some exceptions. The O&M-recorded payments recovered through Base Rates (2007–2008) were not included in the Pole Attachment calculation as the Pole Attachment was not applicable until 2014. In addition, similar to the observation in the capital-recorded payments, some 2020 O&M-recorded payments were not reflected in the Pole Attachment calculation as the Pole Attachment calculation is based on inputs from the Companies' most recent FERC Form 1 at the time the rates are filed.

Blue Ridge also observed that O&M-recorded payments of $4.15 million were included in both the Rider DSE (2018–2020) and the Pole Attachment calculation. As discussed later, FirstEnergy proposes to refund the $4.15 million as part of the final reconciliation of the Rider DSE2.

[17] Response to BRC AS-Set 1-INT-010 Attachment 1, Tab Capital Allocation, Lines 94–103 Confidential.
[18] Response to BRC AS-Set 1-INT-011 Confidential.

The following section discusses each recovery mechanism: Retail Rates (Base Rates and Rider DSE), Rider DCR, and Pole Attachment, and provides a recommendation on the amount and how refunds should be made to customers.

RETAIL RATES

FirstEnergy identified the following payments that were included in the Companies' retail rates through either "Base Rates" or "Rider DSE."

Table 10: Payments Recovered through Retail Rates: Base Rates or Rider DSE

	O&M Expenses		
Company	**Base Rates**	**Rider DSE**	**Total**
CE	$ 172,508	$ 1,489,640	$ 1,662,147
OE	26,012	1,805,510	1,831,522
TE	11,575	854,851	866,426
Total	**$ 210,095**	**$ 4,150,000**	**$ 4,360,095**

Base Rates

Base rates were established in the last base distribution rate case, Case No. 07-551-EL-AIR et al.

The payments recovered through Base Rates included in FirstEnergy's response to Staff's information request totaled $210,095. The payments were made to #1 Media in 2007 and 2008 and reflect the purchase of billboards and event sponsorships.

FirstEnergy stated that the payments reflected in base rates will be refunded to customers:

> O&M costs totaling $210,095 were incurred during the test year of the Companies' last base distribution rate case, Case No. 07-551-EL-AIR, of which $205,397 is conservatively assumed to be included in the Companies' revenue requirement. The Companies' base distribution rates went into effect in 2009, thus through 2020 the refund totals $2,406,488. See BRC AS-Set 1-INT-001 Attachment 1 Confidential for support. The Companies recommend refunding this amount through one of their existing approved non-by passable riders. Going forward, the Companies recommend creating a regulatory liability for revenue associated with these costs, to be included in the Companies' next base distribution rate case.[19]

The payments reflected in base rates and recommended refund is shown in the following table.

Table 11: Payments Reflected in Base Rates and Recommended Refund by Ohio Operating Company

Description	CE	OE	TE	Total
Base Rate O&M Payments	$ 172,508	$ 26,012	$ 11,575	$ 210,095
% included in Revenue Requirements	97%	100%	96%	
Rate Case Amount	167,979	26,012	11,086	$ 205,077
Rate Case Amount with CAT Gross Up	$ 168,241	$ 26,053	$ 11,103	$ 205,397
Refund through 2020	**$ 1,962,811**	**$ 311,097**	**$ 132,580**	**$ 2,406,488**

[19] Response to BRC AS-Set 1-INT-001 Confidential.

The refunds assume that the payments have been included in base rates for CE effective May, 1 2009, and for OE and TE effective January 23, 2009.[20] Blue Ridge reviewed and found not unreasonable the calculation provided by FirstEnergy to develop the $2,406,488 that has been reflected in base rates from the last base distribution rate case in 2009 through 2020.[21] FirstEnergy proposed and Blue Ridge recommends that $2,406,488 be refunded through one of their existing approved non-bypassable riders. Going forward, a regulatory liability for revenue associated with these costs should be created and included in the Companies' next base distribution rate case.

Rider DSE

The Rider DSE rates were established in 2018 through Case No. 17-2277-EL-RDR, in 2019 through Case No. 18-1646-EL-RDR, and in 2020 through Case No. 19-1904-EL-RDR.[22] The Rider DSE tariff in Case No. 19-1904-EL-RDR states what the charges recover:

1. The DSE1 charges set forth in this Rider recover costs incurred by the Company associated with customers taking service under the Economic Load Response Rider (ELR).
2. The DSE2 charges set forth in this Rider recover costs incurred by the Company associated with the programs that may be implemented by the Company to secure compliance with the, energy efficiency and peak demand reduction requirements in Section 4928.66, Revised Code through demand- response programs, energy efficiency programs, peak demand reduction programs, and self-directed demand-response, energy efficiency or other customer-sited programs. The costs initially deferred by the Company and subsequently fully recovered through this Rider will be all program costs, including but not limited to any customer incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to conduct such programs, lost distribution revenues resulting from the implementation of such programs, and any performance incentives such as shared savings.[23]

The payments recovered through Rider DSE included $2.15 million paid to EcoEarth Energy LLC (2018–2019) and $2 million paid to Ohio Outdoor Advertising LLC (2019–2020). FirstEnergy stated that payments to EcoEarth Energy LLC reflected energy-efficiency general-awareness marketing campaigns (purchase of billboards) and payments pursuant to alternative energy consulting invoices. Payments to Ohio Outdoor Advertising were for the purchase of billboards and the Ohio energy-efficiency general-awareness marketing campaigns (purchase of billboards).

FirstEnergy stated that it will refund to customers the payments reflected in Rider DSE.

> O&M costs totaling $4,150,000 were included in the Companies' Rider DSE2 from 2018 to 2020. The Companies recommend refunding these costs through Rider DSE2 as part of its final reconciliation as described in the PUCO's February 24, 2021 Finding and Order in Case No. 16-0743-EL-POR.[24]

[20] Response to BRC AS-Set 1-INT-001, Attachment 1 Confidential.
[21] Response to BRC AS-Set 1-INT-001, Attachment 1 Confidential.
[22] Response to BRC AS-Set 1-INT-006 Confidential.
[23] Case No. 19-1904-EL-RDR, Rider DSE Tariff, June 1, 2020.
[24] Response to BRC AS-Set 1-INT-001 Confidential. Original response incorrectly referenced Case No. 16-0743-EL-*RDR*. The case number was corrected to Case No. 16-0743-EL-*POR* during the fact check review with FirstEnergy.

The payments reflected in Rider DSE that are recommended for refund are shown in the following table.

Table 12: Payments Reflected in Rider DSE and Recommended Refund by Ohio Operating Company

Recovery Mechanism	CE	OE	TE	Total
Rider DSE through final reconciliation	$ 1,489,640	$ 1,805,510	$ 854,851	$ 4,150,001

Blue Ridge found that the amounts FirstEnergy recommends be refunded agree with the payments in the spreadsheet provided in response to Staff's information request. Blue Ridge recommends adopting the Company proposal to refund the $4,150,000 as part of the final reconciliation of the Rider DSE2.

RIDER DCR

The purpose of Rider DCR ("Delivery Capital Recovery") is to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax, and associated income taxes and to earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plants, including allocated general plant from FirstEnergy Service Company that supports the Companies, which was not included in the rate base determined in the Opinion and Order of January 21, 2009, in Case No. 07-551-EL-AIR et al. ("last distribution rate case").[25]

FirstEnergy identified payments included in the Rider DCR revenue requirements as summarized below by company.

Table 13: Capital Payments Recovered though Rider DCR (2014–2020)

Company	O&M	Capital
CE	$ -	$ 2,448,893
OE	-	3,336,631
TE	-	1,156,049
Total	**$ -**	**$ 6,941,573**

The Companies made capital-recorded payments to the vendors as shown in the following table.

[25] Case No. 10-388-EL-SSO, Opinion and Order (August 25,2010), page 11.

Table 14: Capital-Recorded Payments Included in Rider DCR Revenue Requirements

Vendor	Years	# of Payments	Total Payments	FE Explanation of Nature or Type of Transaction(s)
AWAKENING ANGELS	2014	1	$ 4,556	Contributions to non-profit
ECOEARTH ENERGY LLC	2017	1	42,888	Energy efficiency general awareness marketing campaigns (purchase of billboards) Payments pursuant to alternative energy consulting invoices
GENERATION NOW	2017	4	201,739	Contributions to 501(c)(4) organization
GEORGE GROUP FINANCIAL SOLUTIONS IN	2015	1	10,524	Establishment of a FirstEnergy Credit Card and a FirstEnergy Debit Card, a FirstEnergy Prepaid Card, and FirstEnergy Affiliate Card Program(s)
HARDWORKING OHIOANS	2018	1	100,416	Corporate sponsorship
JOBOB INCORPORATED	2018–2020	26	16,091	Payments pursuant to consulting invoices Payments pursuant to Block Chain Technology invoices
JOSIE G INCORPORATED	2015	1	56,700	Purchase of billboards Event sponsorships
OHIO OUTDOOR ADVERTISING LLC	2016–2017	12	21,056	Purchase of billboards Ohio energy efficiency general awareness marketing campaigns (purchase of billboards)
SUSTAINABILITY FUNDING ALLIANCE	2014–2018	20	6,487,604	Energy efficiency funding (2010-2016 annual payments of $1 million each) Payments pursuant to Consulting Services Agreement and Amendments (2013-2018)
Total		**67**	**$ 6,941,573**	

FirstEnergy stated that capitalized costs would have been included in plant balances used in the calculation of Rider DCR revenue requirements.[26] FirstEnergy provided the calculated Rider DCR revenue requirements for the payments as shown in the following table.

Table 15: Payments Included in Rider DCR Revenue Requirements

Company	Capital	Rider DCR Revenue Requirement
CE	$ 2,448,893	$ 1,196,763
OE	3,336,631	1,514,661
TE	1,156,049	527,904
Total	**$ 6,941,573**	**$ 3,239,328**

Blue Ridge reviewed FirstEnergy's calculations and found them not unreasonable. However, the $3.24 million Rider DCR revenue requirements would not be subject to refund under the approved Rider DCR. Rider DCR rates are set so that they do not exceed the PUCO-authorized revenue caps. When the Companies' Rider DCR revenue requirements are in excess of the annual revenue cap, the Companies set the rates at the revenue cap and not the revenue requirement.[27] In addition to the authorized revenue caps, in Case No. 12-1230-EL-SSO, the Commission approved a stipulation that

[26] Response to Staff's Information Request, Attachment 1, Notes.
[27] Response to BRC AS-Set 1-INT-007 Confidential.

allowed for any under or over collected Rider DCR amounts to be applied to the cumulative revenue cap.

> For any year that the Companies' spending would produce revenues in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenues collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap.[28]

The Company provided an analysis demonstrating that the calculated Rider DCR revenue requirement was not collected from customers due to the authorized revenue requirement caps.[29]

As shown in Column K in the following table, the cumulative Rider DCR excess revenue requirement is about $75 million to $80 million for each year 2017 through 2020. Column L reflects the estimated revenue requirement of the vendor payments as approximately $3.24 million. The estimated revenue requirement associated with the vendor payments of $3.24 million is less than the cumulative excess Rider DCR revenue requirement of $75 million to $80 million, and consistent with the terms and conditions in the Companies' approved ESP cases, removing the payments would have no impact on Rider DCR.

[28] Case No. 12-1230-EL-SSO, Opinion and Order (July 18, 2012), pages 10–11, and continued in Case 14-1297-EL-SSO.
[29] Response to BRC AS-Set 1-INT-007 Attachment 1 Revised – Confidential.

Case No. 20-1629-EL-RDR—Expanded Scope
Ohio Edison Company, The Cleveland Electric Illuminating Company, and
The Toledo Edison Company

Table 16: Rider DCR Revenue Requirements vs. Authorized Cap

(A)	(B)	(C)	(D)	(E)	(F) = (B) - (D)	(G)	(H)	(I)	(J)	(K) = (G) + (J)	(L)
Year	Revenue Requirement		Authorized Revenue Cap		Revenue Req vs Authorized Cap		Rider DCR Revenue		Cumulative Sales Variance	**Cumulative Excess Rev Req**	**Vendor Payments - Est. Rev Req**
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative			
2012	$ 128,764,190	$ 128,764,190	$ 150,000,000	$ 150,000,000	$ (21,235,810)	$ (21,235,810)	$ 128,616,253	$ 128,616,253	$ 147,937	**$ (21,087,872)**	**$ -**
2013	$ 185,222,841	$ 313,987,031	$ 165,000,000	$ 315,000,000	$ 20,222,841	$ (1,012,969)	$ 185,631,927	$ 314,248,180	$ 751,820	**$ (261,149)**	**$ -**
2014	$ 209,638,940	$ 523,625,972	$ 188,750,000	$ 503,750,000	$ 20,888,940	$ 19,875,972	$ 191,709,557	$ 505,957,738	$ (2,207,738)	**$ 17,668,234**	**$ 727**
2015	$ 236,022,797	$ 759,648,769	$ 203,750,000	$ 707,500,000	$ 32,272,797	$ 52,148,769	$ 207,078,057	$ 713,035,795	$ (5,535,795)	**$ 46,612,974**	**$ 13,010**
2016	$ 247,480,255	$ 1,007,129,023	$ 227,500,000	$ 935,000,000	$ 19,980,255	$ 72,129,023	$ 216,681,105	$ 929,716,900	$ 5,283,100	**$ 77,412,123**	**$ 110,177**
2017	$ 264,376,678	$ 1,271,505,702	$ 257,500,000	$ 1,192,500,000	$ 6,876,678	$ 79,005,702	$ 262,678,121	$ 1,192,395,022	$ 104,978	**$ 79,110,680**	**$ 394,113**
2018	$ 289,104,643	$ 1,560,610,345	$ 287,500,000	$ 1,480,000,000	$ 1,604,643	$ 80,610,345	$ 291,199,888	$ 1,483,594,910	$ (3,594,910)	**$ 77,015,436**	**$ 613,225**
2019	$ 314,438,741	$ 1,875,049,086	$ 311,666,667	$ 1,791,666,667	$ 2,772,074	$ 83,382,419	$ 309,630,496	$ 1,793,225,405	$ (1,558,738)	**$ 81,823,681**	**$ 1,066,706**
2020	$ 338,922,703	$ 2,213,971,789	$ 331,666,667	$ 2,123,333,334	$ 7,256,036	$ 90,638,455	$ 345,638,174	$ 2,138,863,580	$ (15,530,246)	**$ 75,108,209**	**$ 1,041,370**
Total	$ 2,213,971,789		$ 2,123,333,334		$ 90,638,455		$ 2,138,863,580				**$ 3,239,328**

(G) Cumulative difference between revenue requirements and authorized revenue caps

(J) Cumulative difference due to sales volumes between actual Rider DCR revenues and revenues designed to be collected in the rates

(K) As approved in Case Nos. 10-388-EL-SSO, 12-1230-EL-SSO and 14-1297-EL-SSO: "For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, as established above, then the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap." (See, for example, the approved stipulation in Case No. 12-1230-EL-SSO, p. 23).

(L) Because the estimated revenue requirement impacts of the vendor payments are less than the cumulative excess Rider DCR revenue requirements in column K, there is no impact on Rider DCR, consistent with the terms and conditions of the Companies' approved ESP cases.

In the current audit (Case No. 20-1629-EL-RDR), Blue Ridge found that MARCs Radio user fees had been incorrectly capitalized up until September 2020. The estimated effect on Rider DCR revenue requirements for 2018–2020 is estimated to be $134,947.[30] This amount is significantly below the cumulative excess Rider DCR revenue requirement of $75 million to $80 million that has not been collected due to the revenue caps.

In prior DCR audits, specifically Case Nos. 17-2009-EL-RDR, 18-1542-EL-RDR, and 19-1887-EL-RDR, Blue Ridge recommended adjustments to Vegetation Management for costs that were inappropriately charged as capital. On June 16, 2021, in Case No. 17-2009-EL-RDR, the Commission ordered that $3,679,102 associated with vegetation management be removed from the DCR revenue requirements. We also recommended adjustments to Excess Accumulated Deferred Income Taxes (EADIT). Case Nos. 18-1542-EL-RDR and 19-1887-EL-RDR are still pending decisions from the Commission. The table below summarizes the effect on Rider DCR revenue requirements of Blue Ridge's recommended adjustments that were recently decided upon or are pending Commission decisions.

Table 17: Estimated Effect of Prior Audit Recommendations on Rider DCR Revenue Requirements and PUCO Status

Description	CEI	OE	TE	Total	PUCO Status
Case No. 17-2009-EL-RDR					
Vegetation Management	$ (1,637,847)	$ (1,590,203)	$ (451,052)	$ (3,679,102)	Approved 6/16/21
Case No. 18-1543-EL-RDR					
Vegetation Management	$ (1,786,623)	$ (1,141,265)	$ (364,336)	$ (3,292,224)	Pending
Case No. 19-1887-EL-RDR					
Vegetation Management	$ (1,399,214)	$ (1,130,576)	$ (461,638)	$ (2,991,428)	Pending
EADIT	$ (837,018)	$ (1,475,707)	$ (176,726)	$ (2,489,451)	Pending
Total	**$ (5,660,702)**	**$ (5,337,751)**	**$ (1,453,752)**	**$ (12,452,205)**	

When asked to quantify the annual and cumulative effect of each audit issue on the revenue requirements compared to the cap, if the PUCO approved Blue Ridge's recommendations, FirstEnergy stated that it had not conducted a separate analysis of the revenue requirement impact. The Company further stated, "Any adjustment to the Rider DCR revenue requirements would only have an impact on Rider DCR revenues if the cumulative revenue requirement impact of such adjustment is greater than the cumulative excess Rider DCR revenue requirement. . . . If the Blue Ridge recommended adjustments are approved by the PUCO and the Rider DCR revenue requirement is reduced, the Companies do not expect the revenue requirements impacts of these recommendations to exceed the Companies' cumulative excess Rider DCR revenue requirements in any year."[31]

Blue Ridge performed an independent analysis and concurs with FirstEnergy that reflecting Blue Ridge's recommendation regarding Vegetation Management and EADIT would not significantly modify the cumulative excess Rider DCR revenue requirements in any year and would not result in a refund if the vendor payments were excluded. The estimated $12.45 million DCR revenue requirement effect in the prior table is significantly below the cumulative excess Rider DCR revenue requirement of $75 million to $80 million that has not been collected due to the revenue caps.

[30] DCR 2021 BRC Set 14-INT-002.
[31] Response to BRC AS-Set 3-INT-001 Confidential.

The payments reflected in Rider DCR and recommended for refund are shown in the following table.

Table 18: Payments Reflected in Rider DCR and Recommended Refund by Ohio Operating Company

Recovery Mechanism	CE	OE	TE	Total
Rider DCR	$ -	$ -	$ -	$ -

In summary, Blue Ridge found that the payments that were included in Rider DCR revenue requirements were not collected from ratepayers and, thus, would not be subject to refund. However, Blue Ridge recommends that these payments be identified and excluded from rate base in any future base rate case.

POLE ATTACHMENTS

The Companies' Pole Attachment rates are calculated based on an approved formula rate using inputs from the Companies' most recent FERC Form 1 at the time the rates are filed. Inputs from the FERC Form 1 include Total Plant; Distribution Plant; FERC Plant Accounts 364, 365, and 369; ADIT; Depreciation Reserve; and Total Administrative and General Expenses.[32] Starting with 2014 spend, any capitalized payments and any A&G expenses in the 900 series of FERC Accounts would have been included in the formula rate calculations for the Companies' Pole Attachment rates.[33]

The payments included in the Pole Attachment calculation is summarized below.

Table 19: Payments Recovered through Pole Attachment Calculation

Company	Capital	O&M
CE	$ 2,950,457	$ 7,404,623
OE	3,333,628	6,553,697
TE	1,155,017	1,842,031
Total	**$ 7,439,102**	**$ 15,800,351**

The O&M payments included in the list were charged to FERC accounts 588 Miscellaneous Distribution Expenses, 911 Supervision (Major only), 921 Office Supplies and Expenses, 923 Outside Services Employed, and 930.1 General Advertising Expenses, 930.2 Miscellaneous General Expenses, 931 Rents, and 935 Maintenance of General Plant. The charged accounts are consistent with what is allowed in the Pole Attachment formula.

All the vendors listed in response to Staff's information request had payments that were reflected in the Pole Attachment calculation. The only payments not included were (1) payments made in 2007–2008 prior to the Pole Attachment that was not applicable until 2014 ($210,095) and (2) payments made in 2020 that have not been reflected in the Pole Attachment calculation as the Pole Attachment calculation is based on inputs from the Companies' most recent FERC Form 1 at the time the rates are filed. The most recent Pole Attachment rate for each Ohio operating company was effective December 31, 2019. Thus, the 2020 FERC Form 1 was not available when those rates were established. The 2020 amounts not included in the Pole Attachment calculation are capital of $6,471 and O&M of $1,004,942.

[32] Response to BRC AS-Set 1-INT-001 Confidential.
[33] Response to Staff's Information Request, Attachment 1, Notes.

While the payments are substantial, the removal of these capital and O&M expenses have minimal impact on the Pole Attachment formula results. The Pole Attachment formula calculates the net cost of a bare pole plus carrying charges. The payments would have been reflected in the A&G and Gross Plant Investment amounts that were included in the calculation of the Administrative Carrying Charge. A simplified example of the Pole Attachment formula is shown below.[34]

Table 20: Simplified Pole Attachment Formula Example

1	**Net Cost of a Bare Pole**					
2	Net Pole Investment	$	143,008,572			
3	Total Number of Poles		397,780			
4	Net Cost of a Bare Pole				**$359.52**	Line 2/Line 3
5	**Carrying Charges**					
6	Administrative					
7	***Total A&G****	***$***	***92,266,192***			
8	***Gross Plant Investment****	***$***	***3,343,257,826***			
9	Depreciation Reserve		(1,427,159,393)			
10	ADIT		(525,399,439)			
11	Rate Base	$	1,390,698,994			
12	Administrative Carrying Charge				0.0663	Line 7/Line 11
13	Maintenance Carrying Charge				0.0886	
14	Depreciation Carrying Charge				0.1065	
15	Taxes Carrying Charge				0.1499	
16	Return Carrying Charge				0.0848	
17	Total Carrying Charges				**0.4962**	
18	**Pole Attachment Rate**					
19	Attacher Responsibility Percentage				0.0741	
20	Net Cost of a Bare Pole			$	359.52	Line 4
21	Net Cost of a Bare Pole			$	0.4962	Line 17
22	Total Pole Attacher Rate			**$**	**13.21**	Line 19 x Line 20 x Line 21

Payments would be reflected in these amounts used to calculate the Administrative Carrying Charge

FirstEnergy was asked to calculate the effect of removing the payments included in the Pole Attachment calculation. The Company was also asked to provide a recommendation on how the amount should be refunded to customers.

> Had the costs included in PUCO 10-k Request Attachment 1 Confidential not been included in the Companies' FERC Form 1s and subsequently their Pole Attachment rates, the revenue impact is estimated to be $82,851 from 2016 through 2021. The

[34] WP Confidential Analysis and Tables for Report.

Companies recommend making an adjustment for this amount in their next Pole Attachment rate filing. See BRC AS-Set 1-INT-010 - Confidential for support.[35]

The Company provided the "As Filed" and "Adjusted" approved formula used to develop Pole Attachment rates from 2016 through 2021. Blue Ridge verified that the adjusted amount removed the payments provided in response to Staff's information request and identified as recovered through Pole Attachment calculation. While the total amount of the estimated revenue impact was correct, formula errors existed in the total revenue impact for the Ohio operating companies. The following table shows the corrected results of the adjusted Pole Attachment estimated revenue impact.[36]

Table 21: Vendor Payment Impact on Pole Attachment Rates and Estimated Revenue Impact

Vendor Payment Impact on Pole Attachment Rates

CEI

Year (FERC FORM)	Rate Effective	Adjusted Rate	Difference	Pole Attachments	Estimated Revenue Impact	CORRECTED Estimated Revenue Impact
2016 (2014)	$ 10.33	$ 10.31	$ 0.02	133,888	$ 2,678	$ 2,678
2017 (2015)	$ 9.94	$ 9.91	$ 0.03	17,653	$ 530	$ 530
2018 (2016)	$ 11.20	$ 11.19	$ 0.01	159,456	$ 1,595	$ 1,595
2019 (2017)	$ 11.88	$ 11.86	$ 0.02	167,099	$ 3,342	$ 3,342
2020 (2018)	$ 12.06	$ 12.01	$ 0.05	177,269	$ 8,863	$ 8,863
2021 (2019)	$ 13.21	$ 13.18	$ 0.03	177,269	$ 5,318	$ 5,318
Total					$ 13,800	$ 22,325

OE

Year (FERC FORM)	Rate Effective	Adjusted Rate	Difference	Pole Attachments	Estimated Revenue Impact	Estimated Revenue Impact
2016 (2014)	$ 10.58	$ 10.57	$ 0.01	375,307	$ 3,753	$ 3,753
2017 (2015)	$ 10.18	$ 10.16	$ 0.02	384,012	$ 7,680	$ 7,680
2018 (2016)	$ 10.83	$ 10.82	$ 0.01	392,466	$ 3,925	$ 3,925
2019 (2017)	$ 11.48	$ 11.46	$ 0.02	395,151	$ 7,903	$ 7,903
2020 (2018)	$ 12.06	$ 12.02	$ 0.04	406,583	$ 16,263	$ 16,263
2021 (2019)	$ 12.17	$ 12.15	$ 0.02	406,583	$ 8,132	$ 8,132
Total					$ 39,524	$ 47,656

TE

Year (FERC FORM)	Rate Effective	Adjusted Rate	Difference	Pole Attachments	Estimated Revenue Impact	Estimated Revenue Impact
2016 (2014)	$ 8.99	$ 8.98	$ 0.01	1,744	$ 17	$ 17
2017 (2015)	$ 8.64	$ 8.64	$ -	3,928	$ -	$ -
2018 (2016)	$ 9.20	$ 9.19	$ 0.01	142,705	$ 1,427	$ 1,427
2019 (2017)	$ 9.68	$ 9.67	$ 0.01	142,606	$ 1,426	$ 1,426
2020 (2018)	$ 9.83	$ 9.79	$ 0.04	142,840	$ 5,714	$ 5,714
2021 (2019)	$ 10.45	$ 10.42	$ 0.03	142,840	$ 4,285	$ 4,285
Total					$ 8,584	$ 12,869

Total

Year (FERC FORM)	Rate Effective	Adjusted Rate	Difference	Pole Attachments	Estimated Revenue Impact	Estimated Revenue Impact
2016 (2014)					$ 6,448	$ 6,448
2017 (2015)					$ 8,210	$ 8,210
2018 (2016)					$ 6,946	$ 6,946
2019 (2017)					$ 12,671	$ 12,671
2020 (2018)					$ 30,840	$ 30,840
2021 (2019)					$ 17,735	$ 17,735
Total					$ 82,851	$ 82,851

* 2021 Pole Attachments are estimates as all attachers have not been final billed.

[35] Response to BRC AS-Set 1-INT-001 Confidential.
[36] Response to BRC AS-Set 1-INT-010 Attachment 1 Confidential.

Blue Ridge reviewed and found not unreasonable the calculation provided by FirstEnergy to develop the estimated revenue impact of $82,851 associated with the Pole Attachment adjustment.

The effect of removing the payments from the Pole Attachment calculations results in the following estimated refund. The final amount will require updating since all 2021 attachers have not been final billed.

Table 22: Effect of Removing Payments from Pole Attachment Calculation and Recommended Estimated Refund by Ohio Operating Company

Recovery Mechanism	CE	OE	TE	Total
Pole Attachment	$ 22,325	$ 47,656	$ 12,869	$ 82,850

As stated in TE's Pole Attachment Tariff, Pole Attachment rates are available to any person or entity other than a public utility within the Company's service territory who shall contract for a specified number of pole attachments or contacts.[37]

The following table summarizes the number of entities billed for Pole Attachment Rates from 2016–2021.

Table 23: Entities Billed Pole Attachment Rates 2016–2021

Year	CE	OE	TE	Total
2016	8	38	3	49
2017	9	38	6	53
2018	18	45	18	81
2019	61	48	19	128
2020	61	48	18	127
2021	66	54	12	132

Blue Ridge found that refunding the estimated revenue impact of the $82,851 overbilled amount among 132 entities unrealistic. Blue Ridge recommends adopting the Companies' proposal to adjust for this amount in their next Pole Attachment rate filing. The final amount should be updated to reflect the final billing of the 2021 attachers.

Blue Ridge also recommends that the capital payments be identified and excluded from rate base in any future base rate case.

Conclusions and Recommendations

Blue Ridge concluded that the payments disclosed by FirstEnergy have been identified as a potential refund through either Base Rates or Rider DSE or have been included in the revenue requirements calculations for Rider DCR and Pole Attachments. The following table shows the allocation of the vendors between capital and O&M for each of the recovery mechanisms.

[37] The Toledo Edison Company, Pole Attachment Tariff 5th Revised Sheet No. 2, Applicability.

Table 24: Allocation of Vendors Between Recovery Mechanisms

		Payments				Base Rates		Rider DSE		Rider DCR		Pole Attachments	
#	Vendor Name	Capital	O&M	Total	Recovery Mechanism	Captial	O&M	Captial	O&M	Captial	O&M	Captial	O&M
Related Parties - Thomas T. George (Tony George)													
1	#1 MEDIA, a division of Josie G	$ -	$ 995,095	$ 995,095	2007-2008 Base Rates 2014–2015 Pole Attach	$ -	$ 210,095	$ -	$ -	$ -	n/a		$ 785,000
2	JOSIE G INCORPORATED	$ 56,700	$ 1,239,550	$ 1,296,250	2015 Rider DCR 2015–2019 Pole Attach	$ -	$ -	$ -	$ -	$ 56,700	n/a	$ 56,700	$ 1,239,550
3	1224 PLAYHOUSE LLC	$ -	$ 5,474	$ 5,474	2016 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a		$ 5,474
4	AWAKENING ANGELS	$ 4,556	$ 9,201	$ 13,757	2014 Rider DCR 2014, 2019 Pole Attach	$ -	$ -	$ -	$ -	$ 4,556	n/a	$ 4,556	$ 9,201
5	DJM LAKESIDE LLC	$ 154,000	$ 441,690	$ 595,690	2015–2019 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a	$ 154,000	$ 441,690
6	ECOEARTH ENERGY LLC	$ 42,888	$ 2,182,752	$ 2,225,640	2017 Rider DCR 2017–2019 Pole Attach 2018–2019 Rider DSE	$ -	$ -	$ -	$ 2,150,000	$ 42,888	n/a	$ 42,888	$ 2,182,752
7	GEORGE FAMILY ENTERPRISES LTD	$ 350,000	$ 430,682	$ 780,682	2018–2019 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a	$ 350,000	$ 430,682
8	GEORGE GROUP FINANCIAL SOLUTIONS IN	$ 10,524	$ 19,951	$ 30,475	2015 Rider DCR, Pole Attach 2015 Pole Attach	$ -	$ -	$ -	$ -	$ 10,524	n/a	$ 10,524	$ 19,951
9	JOBOB INCORPORATED	$ 16,090	$ 729,503	$ 745,593	2018-2019 Rider DCR, Pole Attach 2020 Rider DCR	$ -	$ -	$ -	$ -	$ 16,090	n/a	$ 9,620	$ 724,561
10	OHIO OUTDOOR ADVERTISING LLC	$ 21,056	$ 2,577,701	$ 2,598,757	2015–2019 Pole Attach 2016-2017 Rider DCR, Pole Attach 2019 Rider DSE, Pole Attach 2020 Rider DSE	$ -	$ -	$ -	$ 2,000,000	$ 21,056	n/a	$ 21,056	$ 1,577,701
11	THE GEORGE GROUP CORPORATION	$ -	$ 155,200	$ 155,200	2014, 2016 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a	$ -	$ 155,200
12	2125 SUPERIOR HOLDING LLC	$ -	$ 35,657	$ 35,657	2016 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a	$ -	$ 35,657
	Total	**$ 655,814**	**$ 8,822,456**	**$ 9,478,270**		**$ -**	**$ 210,095**	**$ -**	**$ 4,150,000**	**$ 151,814**	**$ -**	**$ 649,344**	**$ 7,607,419**
Related Parties - Sam Randazzo													
13	IEU-OHIO ADMINISTRATION COMPANY	$ -	$ 1,000,000	$ 1,000,000	2014–2015 Pole Attach	$ -	$ -	$ -	$ -	$ -	n/a		$ 1,000,000
14	SUSTAINABILITY FUNDING ALLIANCE	$ 6,487,604	$ 6,954,378	$ 13,441,982	2014–2015 O&M Pole Attach 2014–2018 Rider DCR, Pole Attach	$ -	$ -	$ -	$ -	$ 6,487,604	n/a	$ 6,487,604	$ 6,954,378
	Total	**$ 6,487,604**	**$ 7,954,378**	**$ 14,441,982**		**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,487,604**	**$ -**	**$ 6,487,604**	**$ 7,954,378**
Unsupported Transaction													
15	GENERATION NOW INCORPORATED	$ 201,739	$ 154,061	$ 355,800	2017 Rider DCR, Pole Attach	$ -	$ -	$ -	$ -	$ 201,739	n/a	$ 201,739	$ 154,061
16	HARDWORKING OHIOANS	$ 100,416	$ 76,684	$ 177,100	2018 Rider DCR, Pole Attach	$ -	$ -	$ -	$ -	$ 100,416	n/a	$ 100,416	$ 76,684
17	MEMPHIS 55 INCORPORATED		$ 7,808	$ 7,808	2019 Pole Attach	$ -	$ -	$ -	$ -		n/a	$ -	$ 7,808
	Total	**$ 302,155**	**$ 238,553**	**$ 540,708**		**$ -**	**$ -**	**$ -**	**$ -**	**$ 302,155**	**$ -**	**$ 302,155**	**$ 238,553**
	Grand Total	**$ 7,445,573**	**$ 17,015,387**	**$ 24,460,960**		**$ -**	**$ 210,095**	**$ -**	**$ 4,150,000**	**$ 6,941,573**	**$ -**	**$ 7,439,103**	**$ 15,800,351**
	Refundable					n/a	Refunded	n/a	Refunded	Included in Calc-Cap Limited		Included in Calc-Refunded	

Blue Ridge recommends the following refunds by recovery mechanism.

Table 25: Recommended Refunds by Recovery Mechanism and Ohio Operating Company

Recovery Mechanism	CE	OE	TE	Total
Base Rates-Refund through non-bypassable rider	$ 1,962,811	$ 311,097	$ 132,580	$ 2,406,488
Rider DSE-Refund through final reconciliation	1,489,640	1,805,510	854,851	$ 4,150,001
Rider DCR	-	-	-	-
Pole Attachment-Adjust in next Pole Attachment rate filing	22,325	47,656	12,869	82,850
Total Recommended Refunds	**$ 3,474,776**	**$ 2,164,263**	**$ 1,000,300**	**$ 6,639,339**

In addition to the refunds, Blue Ridge recommends that the $7,445,573 recorded as capital should be identified and excluded from rate base in any future base rate case.

SUPPLEMENTAL INFORMATION

On July 29, 2021, prior to Blue Ridge filing its report with the PUCO, FirstEnergy provided supplemental information to various data requests. The supplemental information included the following:

1. Staff's Information Requests, Supplemental Response Sent on 7/29/2021. Provides additional information on accounting adjustments that occurred for the vendor payments.

   The supporting workpapers provides the following footnotes explaining the accounting adjustments.

   (1) Accounting adjustment in Sept 2020 to move all Generation Now and Hardworking Ohioans costs to O&M FERC Account 426.
   (2) Accounting adjustment was made for Dec 2020 in Jan 2021 to re-allocate capital and O&M costs for payments to SUSTAINABILITY FUNDING ALLIANCE from FE non-Ohio Companies to CEI, OE and TE.
   (3) Accounting adjustment was made for Dec 2020 in March 2021 to move all re-allocated capital costs for payments to SUSTAINABILITY FUNDING ALLIANCE in (2) to O&M expense. Because the re-allocated capital costs were moved to expense in the same month, there was no impact on plant balances.
   (4) Accounting adjustment was made for Dec 2020 in March 2021 to move capital costs for payments to other vendors from capital to O&M expense.
   (1)-(4) See BRC AS Set-1-INT-007 Attachment 1 Second Revised - Confidential for the cumulative DCR revenue requirement impact of these accounting adjustments on the Companies' plant in-service balances.

   <u>Blue Ridge Comment</u>: The supplemental response reflects accounting adjustments that are not reflected in the tables within this report. While various tables would change if the supplemental information was reflected, the supplemental information does not change the recommended refund associated with Rider DCR.

2. Data Request BRC AS Set 1-INT-007, Supplemental Response Sent on 7/29/2021. Updates the comparison of the annual Rider DCR revenue requirements, revenue cap, and estimated revenue requirements associated with the payments through 2021, including the impact of March 2021 accounting adjustments to remove the vendor payments from plant in-service.

   Blue Ridge Comment: The supplemental response does not change the recommended refund associated with Rider DCR.

3. Data Request BRC AS-Set 1-INT-010, Supplemental Response Sent on 7/29/2021. Provides a further breakdown of the estimated Pole Attachment revenue impact by vendor.

   Blue Ridge Comment: The additional analysis provided the FirstEnergy is included in the following table. The supplemental response does not modify the recommended refund recovered through the Pole Attachment.

Table 26: Vendor Payments Included in Pole Attachment Calculation

Vendor	CEI	OE	TE	TOTAL
#1 MEDIA	$ 1,339	$ -	$ -	$ 1,339
1224 PLAYHOUSE LLC	$ -	$ -	$ -	$ -
2125 SUPERIOR HOLDING LLC	$ -	$ -	$ -	$ -
AWAKENING ANGELS	$ -	$ -	$ -	$ -
DJM LAKESIDE LLC	$ 1,671	$ -	$ -	$ 1,671
ECOEARTH ENERGY LLC	$ 3,545	$ 8,132	$ 2,857	$ 14,534
GENERATION NOW INCORPORATED	$ -	$ -	$ -	$ -
GEORGE FAMILY ENTERPRISES LTD	$ 1,773	$ -	$ -	$ 1,773
GEORGE GROUP FINANCIAL SOLUTIONS IN	$ -	$ -	$ -	$ -
HARDWORKING OHIOANS	$ -	$ -	$ -	$ -
IEU-OHIO ADMINISTRATION COMPANY	$ 177	$ 3,840	$ -	$ 4,017
JOBOB INCORPORATED	$ -	$ -	$ -	$ -
JOSIE G INCORPORATED	$ 177	$ 3,952	$ -	$ 4,128
MEMPHIS 55 INCORPORATED	$ -	$ -	$ -	$ -
OHIO OUTDOOR ADVERTISING LLC	$ 1,773	$ 4,066	$ 1,428	$ 7,267
SUSTAINABILITY FUNDING ALLIANCE	$ 8,326	$ 19,535	$ 5,727	$ 33,589
SUSTAINABILITY FUNDING ALLIANCE - $4.3M	$ 3,545	$ 8,132	$ 2,857	$ 14,534
THE GEORGE GROUP CORPORATION	$ -	$ -	$ -	$ -
Total	$ 22,325	$ 47,656	$ 12,869	$ 82,851

EXPANDED SCOPE APPENDICES

- Expanded Appendix-A: Data Requests
- Expanded Appendix-B: Workpapers

EXPANDED APPENDIX-A: DATA REQUESTS

The following is a list of the PUCO Staff's information requests that resulted in the expanded scope. The list also includes data requests submitted by Blue Ridge to FirstEnergy. Responses were provided electronically and are available on a USB drive.

Staff Information Request Submitted 2/18/21

On page 28 of the 10K filed on February 18, 2021, FirstEnergy Corporation disclosed the following:

> *"Also, in connection with the internal investigation, FirstEnergy recently identified certain transactions, which, in some instances, extended back ten years or more, including vendor services, that were either improperly classified, misallocated to certain of the Utilities and Transmission Companies, or lacked proper supporting documentation. These transactions resulted in amounts collected from customers that were immaterial to FirstEnergy, and the Utilities and Transmission Companies will be working with the appropriate regulatory agencies to address these amounts."*

As it relates to FirstEnergy Corporation and its affiliates' Ohio operations, please provide materials responsive to the following data requests no later than February 23, 2021, unless otherwise agreed to by Staff:

1) The names of the vendors associated with the transactions referenced above;
2) The date of each transaction;
3) The nature or type of each transaction;
4) The amount associated with each transaction; and
5) The underlying purchase order, contract and/or agreement associated with each transaction referenced above.

Blue Ridge Set 1 Submitted 4/8/21

Unless otherwise specified, the following data requests are related to FirstEnergy's response to Staff's February 18, 2021, Data Requests.

1.1. **Refunds**: FirstEnergy's response states that Attachment 1 identifies (1) costs included in retail rates that will be refunded to customers; (2) costs included in calculations supporting retail rates but that did not impact retail rates (i.e., Rider DCR); and (3) costs included in the calculation of other rates (i.e., Pole Attachment).

   a. Provide the amount the Company currently believes should be refunded and how the Companies recommend those amounts should be refunded.

1.2. **FERC Account**: Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies. The payments are recorded to the following FERC accounts:

- 588 Miscellaneous distribution expenses

- 911 Supervision (Major only)
- 921 Office supplies and expenses
- 930.1 General advertising expenses
- 930.2 Miscellaneous general expenses
- 931 Rents
- 935 Maintenance of general plant

The total amount in Column N, identified as Total Capital, is $7,445,573.

a. Explain how O&M charges were recorded as capital.

b. Provide a list of the work orders, with their booked capital accounts (FERC Accounts), to which the charges were applied.

1.3. **Allocate or Direct Charge**: Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies. For each payment, indicate whether the amount shown for each company was either a direct charge or an allocated charge.

1.4. **Allocations**: Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies. The payment data shown includes O&M and Capital for CEI, OE, and TE.

Working from the information provided in Data Request 1.3 above that requested each payment be identified as a direct charge or an allocated charge, please provide these items:

a. Allocated charges: Explain the method used to allocate charges by company. Provide the workpapers that support the allocation.

b. Allocated charges: Explain the method used to allocated payments as O&M or Capital. Provide the workpapers that support the allocation.

c. Direct charges: Explain the method used to allocated payments as O&M or Capital. Provide the workpapers that support the allocation.

1.5. **FERC Account**: The following payments do not include the FERC Account charged.

a. Please provide the FERC account or explain why no account is listed.

b. The payment-recovery mechanism for all these payments is shown as Pole Attachments. Explain how these amounts were included in the Pole Attachment calculation without a FERC account.

(A)	(B)	(C)	(D)	(E)
Column1	Column2	Column3	Column4	Column5
Vendor Name	Year	Period	O&M FERC Account	CEI
DJM LAKESIDE LLC	2019	3	None	$ 14,000
DJM LAKESIDE LLC	2019	4	None	$ 14,000
DJM LAKESIDE LLC	2019	5	None	$ 14,000
DJM LAKESIDE LLC	2019	6	None	$ 28,000
DJM LAKESIDE LLC	2019	7	None	$ 14,000
DJM LAKESIDE LLC	2019	8	None	$ 14,000
DJM LAKESIDE LLC	2019	9	None	$ 14,000
DJM LAKESIDE LLC	2019	10	None	$ 14,000
DJM LAKESIDE LLC	2019	11	None	$ 14,000
DJM LAKESIDE LLC	2019	12	None	$ 14,000
GEORGE FAMILY ENTERPRISES LTD	2019	3	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	4	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	5	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	6	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	7	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	8	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	9	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	10	None	$ 35,000
GEORGE FAMILY ENTERPRISES LTD	2019	11	None	$ 35,000

1.6. **Recovery Mechanism Retail Rates**: Reference Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies, column Q Retail Rates. The Notes state, "Costs included in the Companies' retail rates are identified in column (Q)."

The total amount in Column Q identified as "Base Rates" is $210,095 and includes payments made in 2007 and 2008. The amount in Column Q identified as Rider DSE is $4,150,000 and includes payments made in 2018, 2019, and 2020.

a. Please explain the difference between the Retail Rates recovery identifier "Base Rates" and "Rider DSE."

b. Provide the case number for the Rider DSE for each of the years 2018, 2019, and 2020.

c. How is the Company planning to refund the amounts included in "Base Rates" and "Rider DSE"?

1.7. **Recovery Mechanism Rider DCR**: Reference Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies, Column R Rider DCR Calc. The Notes state, "Capitalized costs would have been included in plant balances used in the calculation of Rider DCR revenue requirements. However, the Companies' aggregate Rider DCR revenue requirements were above the authorized revenue caps for this time period. As such, the Rider DCR rates were set based on the revenue caps, not the revenue requirements, and these capitalized dollars did not have any impact on the Companies' Rider DCR rates in the aggregate. Column (R) identifies which payments had capitalized costs."

a. Explain how the authorized revenue caps reduce the Rider DCR revenue requirement that is collected from customers.

b. For each year (2014–2020) that payments were reflected in the Rider DCR, provide a proof that the calculated Rider DCR revenue requirement was not collected from customers due to the authorized revenue caps.

c. For each year (2014–2020), provide the analysis done that demonstrates that payments included in Rider DCR rates should not be refunded because the Rider DCR revenue requirements were above the authorized revenue caps.

d. Reconcile the statement that Rider DCR rates are set based upon revenue caps and not revenue requirements to the Rider DCR Compliance filings, Tab DCR Rider Workpaper, that shows that the Rider DCR Charge by customer class is based upon the calculated Rider DCR revenue requirement without consideration of annual caps. [The following tables are excerpts from Case No. 19-1759-EL-RDR et. al. filing.]

I.	Annual Revenue Requirement For March 2020 - May 2020 Rider DCR Rates			
		(A)	(B)	
		Company	Rev Req	
			2/29/2020	
	(1)	CEI	$ 145,965,683	
	(2)	OE	$ 152,331,663	
	(3)	TE	$ 39,129,604	
	(4)	TOTAL	$ 337,426,950	

Rider Charge Calculation - Rider DCR

V. Rider DCR Charge Calculation - Annual Revenue Requirement - Rate RS

	(A)	(B)	(C)	(D)	(E)
	Company	Rate Schedule	Annual Revenue Req	Annual KWH Sales	Annual Rev Req Charge ($ / KWH)
(1)	CEI	RS	$ 49,601,919	5,291,433,180	$ 0.009374
(2)	OE	RS	$ 73,435,174	9,116,583,261	$ 0.008055
(3)	TE	RS	$ 17,558,083	2,457,070,919	$ 0.007146
(4)			$ 140,595,176	16,865,087,360	

NOTES
(C) Source: Section III, Column E.
(D) Source: Forecast for March 2020 - February 2021 (All forecasted numbers associated with the forecast as of Dec 2019)
(E) Calculation: Column C / Column D.

VI. Rider DCR Charge Calculation - Annual Revenue Requirement - Rate GS, Rate GP, Rate GSU

	(A)	(B)	(C)	(D)	(E)	
	Company	Rate Schedule	Annual Revenue Req	Annual Billing Units (kW / kVa)	Annual Rev Req Charge ($ / kW or $ / kVa)	
(1)	CEI	GS	$ 86,745,117	20,282,831	$ 4.2768	per kW
(2)		GP	$ 1,285,441	915,417	$ 1.4042	per kW
(3)		GSU	$ 8,333,205	8,209,646	$ 1.0151	per kW
(4)			$ 96,363,764			
(5)	OE	GS	$ 64,500,218	23,225,197	$ 2.7772	per kW
(6)		GP	$ 12,378,333	6,339,502	$ 1.9526	per kW
(7)		GSU	$ 2,017,939	2,408,232	$ 0.8379	per kVa
(8)			$ 78,896,489			
(9)	TE	GS	$ 18,711,085	6,616,876	$ 2.8278	per kW
(10)		GP	$ 2,798,498	2,666,884	$ 1.0494	per kW
(11)		GSU	$ 61,939	216,659	$ 0.2859	per kVa
(12)			$ 21,571,521			

NOTES
(C) Source: Section IV, Column F.
(D) Source: Forecast for March 2020 - February 2021 (All forecasted numbers associated with the forecast as of Dec 2019)
(E) Calculation: Column C / Column D.

The following table shows the total revenue requirements by class to demonstrate that the total recovery by class equals the calculated amount Rider DCR revenue requirements without limitation by revenue caps.

Company	Rate Schedule	Annual Revenue Req
CEI	RS	$ 49,601,919
	GS	$ 86,745,117
	GP	$ 1,285,441
	GSU	$ 8,333,205
		$ 145,965,683
OE	RS	$ 73,435,174
	GS	$ 64,500,218
	GP	$ 12,378,333
	GSU	$ 2,017,939
		$ 152,331,663
TE	RS	$ 17,558,083
	GS	$ 18,711,085
	GP	$ 2,798,498
	GSU	$ 61,939
		$ 39,129,604
		$ 337,426,950

1.8. **Recovery Mechanism Rider DCR**: In the Companies Rider DCR filings Section X, Annual Rider DCR Revenue through November 30, 20XX, is this note: "Calculation C + Column D. The sum of the individual company caps does not equal the total company cap. Each individual company has a cap of 50%, 70%, and 30% for OE, CEI, and TE, respectively, of the total aggregate cap. Source: Case No. 10-388-EL-SSO Stipulation (page 14) and Case No. 12-1230-El-SSO Stipulation (page 20)."

The following table summarizes the information reflected in the Companies Rider DCR annual filings regarding the Companies' revenue and individual caps, the aggregate cap, and the Under (Over) adjustment made to the aggregate cap to calculate the adjusted revenue cap. As shown in the highlighted column, the Rider DCR revenue has not exceeded the Adjusted cap. Please explain how this revenue vs. cap analysis impacts the Rider DCR charges charged to customers.

Annual Rider DCR Revenue Cap Analysis								
Line #	**Company**	**Case No.**	**Period**	**Annual Revenues**	**Revenue Cap**	**Revenue vs Prior Year Cap**	**Adjusted Revenue Cap**	**Revenue vs Cap**
1	CEI	12-2679-EL-RDR	12/31/12	58,546,780				
2	CEI	13-2005-EL-RDR	12/31/13	82,411,644				
3	CEI	14-1628-EL-RDR	11/30/14	84,034,399			132,651,274	48,616,875
4	CEI	15-1595-EL-RDR	11/30/15	82,952,412			141,079,584	58,127,172
5	CEI	16-1819-EL-RDR	11/30/16	86,213,618			155,374,944	69,161,326
6	CEI	17-1919-EL-RDR	11/30/17	104,709,923			183,948,170	79,238,247
7	CEI	18-1443-EL-RDR	11/30/18	117,163,203			201,323,485	84,160,282
8	CEI	19-1759-EL-RDR	11/30/19	129,486,123			215,650,230	86,164,107
9	CEI	20-1469-EL-RDR	11/30/20	139,314,953			231,075,550	91,760,597
10								
11	OE	12-2680-EL-RDR	12/31/12	56,982,346				
12	OE	13-2006-EL-RDR	12/31/13	82,734,228				
13	OE	14-1629-EL-RDR	11/30/14	67,352,639			94,750,910	27,398,271
14	OE	15-1596-EL-RDR	11/30/15	82,992,861			100,771,131	17,778,270
15	OE	16-1820-EL-RDR	11/30/16	93,873,687			110,982,103	17,108,416
16	OE	17-1920-EL-RDR	11/30/17	105,631,023			131,391,550	25,760,527
17	OE	18-1444-EL-RDR	11/30/18	122,300,842			143,802,489	21,501,647
18	OE	19-1758-EL-RDR	11/30/19	120,755,522			154,035,879	33,280,357
19	OE	20-1468-EL-RDR	11/30/20	137,484,483			165,053,964	27,569,481
20								
21	TE	12-2681-EL-RDR	12/31/12	13,087,127				
22	TE	13-2007-EL-RDR	12/31/13	20,486,055				
23	TE	14-1630-EL-RDR	11/30/14	23,180,409			56,850,546	33,670,137
24	TE	15-1597-EL-RDR	11/30/15	23,258,351			60,462,679	37,204,328
25	TE	16-1821-EL-RDR	11/30/16	21,996,144			66,589,262	44,593,118
26	TE	17-1921-EL-RDR	11/30/17	26,086,910			78,834,930	52,748,020
27	TE	18-1445-EL-RDR	11/30/18	30,422,870			86,281,494	55,858,624
28	TE	19-1760-EL-RDR	11/30/19	33,157,302			92,421,527	59,264,225
29	TE	20-1470-EL-RDR	11/30/20	37,461,177			99,032,378	61,571,201
30								
31	Total	12-2679-EL-RDR, et. al.	12/31/12	128,616,253				
32	Total	13-2005-EL-RDR, et. al.	12/31/13	185,631,927				
33	Total	14-1628-EL-RDR, et. al.	11/30/14	174,567,447	188,750,000	751,820	189,501,820	14,934,373
34	Total	15-1595-EL-RDR, et. al.	11/30/15	189,203,624	203,750,000	(2,207,737)	201,542,263	12,338,639
35	Total	16-1819-EL-RDR, et. al.	11/30/16	202,083,449	227,500,000	(5,535,795)	221,964,205	19,880,756
36	Total	17-1919-EL-RDR, et. al.	11/30/17	236,427,856	257,500,000	5,283,100	262,783,100	26,355,244
37	Total	18-1443-EL-RDR, et. al.	11/30/18	269,886,915	287,500,000	104,978	287,604,978	17,718,063
38	Total	19-1759-EL-RDR, et. al.	11/30/19	283,398,947	311,666,667	(3,594,909)	308,071,758	24,672,811
39	Total	20-1469-EL-RDR, et. al.	11/30/20	314,260,613	331,666,667	(1,558,739)	330,107,928	15,847,315

1.9. **Recovery Mechanism Rider DCR**: Reference Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies, Column R Rider DCR Calc.

The total amount included in Column R for O&M is $5,414,685 and for Capital is $6,941,573, which includes payments made in 2014 through 2020.

a. Explain how O&M payments were included in the Rider DCR calculation.

b. If O&M payments are not included in the Rider DCR, were these O&M payments recovered from customers? If so, how?

1.10. **Recovery Mechanism Pole Attachment**: Reference Attachment 1 Vendor Payments Charged/Allocated to the Ohio Companies and Column S Pole Att Calc. The Notes state, "Starting with 2014 spend, any capitalized payments and any A&G expenses in FERC Accounts 9xx would have been included the formula rate calculations for the Companies' Pole Attachment rates. As a result, the Companies estimate that the Pole Attachment rates were insignificantly higher than they otherwise would have been without these payments. See column (S) for the payments with costs included in the Pole Attachment rate calculations."

The total amount in Column S labeled as included in the Pole Attachment Calculation for O&M is $15,800,351 and for Capital is $7,439,102 and includes payments made in 2014 and 2019.

The tariffs on file with the PUCO show the current pole attachments rates.

- CEI Pole Attachment Tariff 7th Revised, Sheet No. 14 (effective 12/31/19)
    - $12.06 per year rental for each pole attachment
    - $7.00 per year rental for each anchor attachment
    - Adjusted one per given calendar year, unless otherwise requirement by law
- OE Pole Attachment Tariff, Sheet No. 51, 5th Revised (effective 12/31/19)
    - $12.06 yearly charge per pole
    - Adjusted one per given calendar year, unless otherwise requirement by law
- TE Pole Attachment Tariff, 5th Revised Sheet No. 2 (effective 12/31/19)
    - Overhead Annual Net Rate per pole $9.83 per one foot of usable space
    - Adjusted one per given calendar year, unless otherwise requirement by law

a. Provide the supporting workpapers for the pole attachment calculation for each company and for each year (2014–2019) the pole attachment calculation was modified.

b. For each year (2014–2019) and each Company, provide a list of entities that paid the pole attachment fees, the billing job orders, and the amounts paid by those entities for the pole attachments.

c. Provide a proof that removing the payments from the calculation would have resulted in charges that were "insignificantly higher than they otherwise would have been without these payments."

1.11. **Recovery Mechanism Rider DCR and Pole Attachment**: The total amount in Column S labeled as included in the Pole Attachment Calculation and also reflected as being recovered through Rider DCR in column R includes O&M $5,409,744 and Capital $6,935,102 and payments made in 2014 and 2019.

Please explain how these amounts can be included in both the Rider DCR calculation and the Pole Attachment calculation.

1.12. **POs, Contracts, Agreements:** FirstEnergy's response to DR 5 states, "The Companies' search for and review of the requested documentation is ongoing, and the Companies will supplement their production in response to DR 5 if additional documentation becomes available." Has the Company found any additional supporting documentation? Is so, please provide.

Blue Ridge Set 2 Submitted 4/9/21

Unless otherwise specified, the following data requests are related to FirstEnergy's response to Staff's February 18, 2021, Data Requests.

PO, Contracts, Agreements: Blue Ridge matched the 204 individual files of POs, Contracts, and Agreements to the 346 lines of payments. We have provided an attachment of what we have been able to link. We found payments without a supporting invoice, PO, Contract, or Agreement. We also found invoices, POs, Contracts, and Agreements that could not be tied to a payment.

2.1. For the following Sustainability Funding Alliance invoices provided by the Companies, we were unable to identify the payment data associated with the invoices. Please identify the payments these invoices are related to.

Filename:

a. 2015.12.01 - Invoice 12-2015 - CONFIDENTIAL.pdf
b. 2015.12.29 - Invoice 1-2016 - CONFIDENTIAL.pdf
c. 2016.02.01 - Invoice 2-2016 - CONFIDENTIAL.pdf
d. 2015.06.01 - #685048 - CONFIDENTIAL.pdf

2.2. For the following EcoEarth invoices provided by the Companies, we were unable to identify the payment data associated with the invoices. Please identify the payments these invoices are related to.

Filename:

a. 2016.12.27 - ECO 1902005567 - CONFIDENTIAL

2.3. For the following Jobob Inc. (dba Success Media Communications) invoices provided by the Companies, we were unable to identify the payment data associated with the invoices. Please identify the payments these invoices are related to.

Filename:

a. 2018.07.16 - JOB 1902365226 - CONFIDENTIAL.pdf
b. 2018.09.06 - JOB 1902463123 - CONFIDENTIAL.pdf
c. 2018.10.09 - JOB 1902535738 - CONFIDENTIAL.pdf
d. 2018.11.01 - JOB 1902575543 - CONFIDENTIAL.pdf
e. 2019.01.07 - JOB 1902009499 - CONFIDENTIAL.pdf
f. 2019.02.06 - JOB 1902068099 - CONFIDENTIAL.pdf
g. 2019.03.11 - JOB 1902129198 - CONFIDENTIAL.pdf
h. 2019.04.03 - JOB 1902174821 - CONFIDENTIAL.pdf
i. 2019.05.07 - JOB 1902246395 - CONFIDENTIAL.pdf
j. 2019.06.07 - JOB 1902294137 - CONFIDENTIAL.pdf
k. 2019.07.02 - JOB 1902342644 - CONFIDENTIAL.pdf
l. 2019.08.07 - JOB 1902406087 - CONFIDENTIAL.pdf
m. 2019.09.09 - JOB 1902464361 - CONFIDENTIAL.pdf
n. 2019.10.08 - JOB 1902517344 - CONFIDENTIAL.pdf
o. 2019.12.09 - JOB 1902622661 - CONFIDENTIAL.pdf
p. 2020.01.06 - JOB 1902013056 - CONFIDENTIAL.pdf
q. 2020.02.05 - 1902067927 - CONFIDENTIAL.pdf
r. 2020.03.10 - JOB 1902134243 - CONFIDENTIAL.pdf
s. 2020.04.06 - JOB 1902186105 - CONFIDENTIAL.pdf

t. 2020.05.01 - JOB 1902238795 - CONFIDENTIAL.pdf
u. 2020.06.17 - JOB 1902309809 - CONFIDENTIAL.pdf
v. 2020.07.08 - JOB 1902356231 - CONFIDENTIAL.pdf
w. 2020.08.05 - 1902408701 - CONFIDENTIAL.pdf
x. 2020.09.09 - 1902483263 - CONFIDENTIAL.pdf

2.4. For the following Ohio Outdoor Advertising Contract provided by the Companies, we were unable to identify the payment data associated with the invoices. Please identify the payments these invoices are related to.

Filename:
a. 2017.01.30 - OOA Contract ($16k) - CONFIDENTIAL

2.5. For the following Sustainability Funding Alliance of Ohio PO provided by the Companies, we were unable to identify the payment data associated with it. Please identify the payments these invoices are related to.

Filename:
a. 2013.03.06 - Purchase Orders - #685065.1-37 - CONFIDENTIAL.pdf

2.6. For the following Sustainability Funding Alliance payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. SUSTAINABILITY FUNDING ALLIANCE	2014	9	921	$4,405.72
b. SUSTAINABILITY FUNDING ALLIANCE	2014	10	921	$4,405.72
c. SUSTAINABILITY FUNDING ALLIANCE	2014	11	921	$4,405.73
d. SUSTAINABILITY FUNDING ALLIANCE	2015	1	921	$4,603.67
e. SUSTAINABILITY FUNDING ALLIANCE	2015	2	921	$7,471.89
f. SUSTAINABILITY FUNDING ALLIANCE	2015	3	921	$14,943.78
g. SUSTAINABILITY FUNDING ALLIANCE	2015	4	921	$7,471.89
h. SUSTAINABILITY FUNDING ALLIANCE	2015	5	921	$7,471.89
i. SUSTAINABILITY FUNDING ALLIANCE	2015	6	921	$68,839.99
j. SUSTAINABILITY FUNDING ALLIANCE	2015	7	921	$14,943.79
k. SUSTAINABILITY FUNDING ALLIANCE	2015	8	921	$7,471.89
l. SUSTAINABILITY FUNDING ALLIANCE	2015	9	921	$7,471.89
m. SUSTAINABILITY FUNDING ALLIANCE	2015	10	921	$7,471.88
n. SUSTAINABILITY FUNDING ALLIANCE	2015	12	921	$7,471.90
o. SUSTAINABILITY FUNDING ALLIANCE	2016	1	923	$15,421.36
p. SUSTAINABILITY FUNDING ALLIANCE	2016	2	923	$7,710.70

2.7. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. AWAKENING ANGELS	2014	7	923	$7,938.66
b. AWAKENING ANGELS	2019	1	923	$5,818.00
c. GENERATION NOW INCORPORATED	2017	3	923	$88,950.00
d. GENERATION NOW INCORPORATED	2017	5	923	$88,950.00
e. GENERATION NOW INCORPORATED	2017	8	923	$88,950.00
f. GENERATION NOW INCORPORATED	2017	12	923	$88,950.00
g. HARDWORKING OHIOANS	2018	10	923	$177,100.00
h. IEU-OHIO ADMINISTRATION COMPANY	2014	1	930.2	$500,000.00
i. IEU-OHIO ADMINISTRATION COMPANY	2015	1	930.2	$500,000.00

2.8. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. DJM LAKESIDE LLC	2015	11	931	$30,000.00
b. DJM LAKESIDE LLC	2015	12	931	$10,000.00
c. DJM LAKESIDE LLC	2016	1	931	$10,000.00
d. DJM LAKESIDE LLC	2016	2	931	$10,000.00
e. DJM LAKESIDE LLC	2016	3	931	$10,000.00
f. DJM LAKESIDE LLC	2016	4	931	$10,000.00
g. DJM LAKESIDE LLC	2016	5	931	$10,000.00
h. DJM LAKESIDE LLC	2016	6	931	$10,000.00
i. DJM LAKESIDE LLC	2016	7	931	$10,000.00
j. DJM LAKESIDE LLC	2016	8	931	$10,000.00
k. DJM LAKESIDE LLC	2016	9	931	$10,000.00
l. DJM LAKESIDE LLC	2016	10	931	$10,000.00
m. DJM LAKESIDE LLC	2016	11	931	$10,000.00
n. DJM LAKESIDE LLC	2016	12	931	$10,000.00
o. DJM LAKESIDE LLC	2017	1	931	$10,000.00
p. DJM LAKESIDE LLC	2017	2	931	$10,000.00
q. DJM LAKESIDE LLC	2017	3	931	$10,000.00
r. DJM LAKESIDE LLC	2017	4	931	$10,000.00
s. DJM LAKESIDE LLC	2017	5	931	$10,000.00
t. DJM LAKESIDE LLC	2017	6	931	$10,000.00
u. DJM LAKESIDE LLC	2017	7	931	$10,000.00
v. DJM LAKESIDE LLC	2017	8	931	$10,000.00
w. DJM LAKESIDE LLC	2017	9	931	$10,000.00
x. DJM LAKESIDE LLC	2017	10	931	$10,000.00
y. DJM LAKESIDE LLC	2017	11	931	$10,000.00
z. DJM LAKESIDE LLC	2017	12	931	$10,000.00

aa.	DJM LAKESIDE LLC	2018	1	931	$10,000.00
bb.	DJM LAKESIDE LLC	2018	2	931	$10,000.00
cc.	DJM LAKESIDE LLC	2018	3	931	$10,000.00
dd.	DJM LAKESIDE LLC	2018	4	931	$10,000.00
ee.	DJM LAKESIDE LLC	2018	5	931	$10,000.00
ff.	DJM LAKESIDE LLC	2018	6	931	$10,000.00
gg.	DJM LAKESIDE LLC	2018	7	931	$14,000.00
hh.	DJM LAKESIDE LLC	2018	8	931	$14,000.00
ii.	DJM LAKESIDE LLC	2018	9	931	$14,000.00
jj.	DJM LAKESIDE LLC	2018	10	931	$14,000.00
kk.	DJM LAKESIDE LLC	2018	11	931	$14,000.00
ll.	DJM LAKESIDE LLC	2018	12	931	$14,000.00
mm.	DJM LAKESIDE LLC	2019	1	931	$14,000.00
nn.	DJM LAKESIDE LLC	2019	3	None	$14,000.00
oo.	DJM LAKESIDE LLC	2019	4	None	$14,000.00
pp.	DJM LAKESIDE LLC	2019	5	None	$14,000.00
qq.	DJM LAKESIDE LLC	2019	6	None	$28,000.00
rr.	DJM LAKESIDE LLC	2019	7	None	$14,000.00
ss.	DJM LAKESIDE LLC	2019	8	None	$14,000.00
tt.	DJM LAKESIDE LLC	2019	9	None	$14,000.00
uu.	DJM LAKESIDE LLC	2019	10	None	$14,000.00
vv.	DJM LAKESIDE LLC	2019	11	None	$14,000.00
ww.	DJM LAKESIDE LLC	2019	12	None	$14,000.00

2.9. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name		Year	Period	O&M FERC Account	Total
a.	ECOEARTH ENERGY LLC	2017	1	911	$75,640.01

2.10. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name		Year	Period	O&M FERC Account	Total
a.	GEORGE FAMILY ENTERPRISES LTD	2018	8	931	$35,000.00
b.	GEORGE FAMILY ENTERPRISES LTD	2018	11	935	$70,000.00
c.	GEORGE FAMILY ENTERPRISES LTD	2018	12	935	$35,000.00
d.	GEORGE FAMILY ENTERPRISES LTD	2019	2	935	$35,000.00
e.	GEORGE FAMILY ENTERPRISES LTD	2019	3	None	$35,000.00
f.	GEORGE FAMILY ENTERPRISES LTD	2019	4	None	$35,000.00
g.	GEORGE FAMILY ENTERPRISES LTD	2019	5	None	$35,000.00
h.	GEORGE FAMILY ENTERPRISES LTD	2019	6	None	$35,000.00
i.	GEORGE FAMILY ENTERPRISES LTD	2019	7	None	$35,000.00
j.	GEORGE FAMILY ENTERPRISES LTD	2019	8	None	$35,000.00

k. GEORGE FAMILY ENTERPRISES LTD	2019	9	None	$35,000.00
l. GEORGE FAMILY ENTERPRISES LTD	2019	10	None	$35,000.00
m. GEORGE FAMILY ENTERPRISES LTD	2019	11	None	$35,000.00
n. GEORGE FAMILY ENTERPRISES LTD	2019	12	588	$45,681.63

2.11. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. GEORGE GROUP FINANCIAL SOLUTIONS IN	2015	5	923	$12,952.50
b. GEORGE GROUP FINANCIAL SOLUTIONS IN	2015	6	923	$11,066.98
c. GEORGE GROUP FINANCIAL SOLUTIONS IN	2015	7	923	$5,533.52
d. GEORGE GROUP FINANCIAL SOLUTIONS IN	2015	8	923	$922.27

2.12. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. JOBOB INCORPORATED	2014	1	930.1	$9,800.00
b. JOBOB INCORPORATED	2014	2	930.1	$9,800.00
c. JOBOB INCORPORATED	2014	3	930.1	$9,800.00
d. JOBOB INCORPORATED	2014	4	930.1	$9,800.00
e. JOBOB INCORPORATED	2014	5	930.1	$9,800.00
f. JOBOB INCORPORATED	2014	6	930.1	$9,800.00
g. JOBOB INCORPORATED	2014	7	930.1	$9,800.00
h. JOBOB INCORPORATED	2014	8	930.1	$9,800.00
i. JOBOB INCORPORATED	2014	9	930.1	$9,800.00
j. JOBOB INCORPORATED	2014	10	930.1	$9,800.00
k. JOBOB INCORPORATED	2014	11	930.1	$9,800.00
l. JOBOB INCORPORATED	2014	12	930.1	$9,800.00
m. JOBOB INCORPORATED	2015	1	930.1	$9,800.00
n. JOBOB INCORPORATED	2015	2	930.1	$9,800.00
o. JOBOB INCORPORATED	2015	3	930.1	$9,800.00
p. JOBOB INCORPORATED	2015	4	930.1	$9,800.00
q. JOBOB INCORPORATED	2015	5	930.1	$9,800.00
r. JOBOB INCORPORATED	2015	6	930.1	$9,800.00
s. JOBOB INCORPORATED	2015	7	930.1	$9,800.00
t. JOBOB INCORPORATED	2015	8	930.1	$9,800.00
u. JOBOB INCORPORATED	2015	9	930.1	$9,800.00
v. JOBOB INCORPORATED	2015	10	930.1	$9,800.00

w.	JOBOB INCORPORATED	2015	11	930.1	$9,800.00
x.	JOBOB INCORPORATED	2015	12	930.1	$9,800.00
y.	JOBOB INCORPORATED	2016	1	930.1	$9,800.00
z.	JOBOB INCORPORATED	2016	2	930.1	$9,800.00
aa.	JOBOB INCORPORATED	2016	3	930.1	$9,800.00
bb.	JOBOB INCORPORATED	2016	4	930.1	$9,800.00
cc.	JOBOB INCORPORATED	2016	5	930.1	$9,800.00
dd.	JOBOB INCORPORATED	2016	6	930.1	$9,800.00
ee.	JOBOB INCORPORATED	2016	7	930.1	$9,800.00
ff.	JOBOB INCORPORATED	2016	8	930.1	$9,800.00
gg.	JOBOB INCORPORATED	2016	9	930.1	$9,800.00
hh.	JOBOB INCORPORATED	2016	10	930.1	$9,800.00
ii.	JOBOB INCORPORATED	2017	5	930.1	$9,800.00
jj.	JOBOB INCORPORATED	2017	7	930.1	$9,800.00
kk.	JOBOB INCORPORATED	2017	10	930.1	$9,800.00
ll.	JOBOB INCORPORATED	2018	7	911	$1,812.00
mm.	JOBOB INCORPORATED	2018	8	911	$906.00
nn.	JOBOB INCORPORATED	2018	9	911	$906.00
oo.	JOBOB INCORPORATED	2018	10	911	$906.00
pp.	JOBOB INCORPORATED	2018	11	911	$906.00
qq.	JOBOB INCORPORATED	2019	1	911	$1,708.00
rr.	JOBOB INCORPORATED	2019	2	911	$854.00
ss.	JOBOB INCORPORATED	2019	3	911	$854.00
tt.	JOBOB INCORPORATED	2019	4	911	$854.00
uu.	JOBOB INCORPORATED	2019	5	911	$854.00
vv.	JOBOB INCORPORATED	2019	6	923	$854.00
ww.	JOBOB INCORPORATED	2019	7	911	$854.00
xx.	JOBOB INCORPORATED	2019	7	923	$11,614.40
yy.	JOBOB INCORPORATED	2019	8	911	$854.00
zz.	JOBOB INCORPORATED	2019	9	911	$1,282.50
aaa.	JOBOB INCORPORATED	2019	10	911	$854.00
bbb.	JOBOB INCORPORATED	2019	11	911	$854.00
ccc.	JOBOB INCORPORATED	2019	12	911	$854.00
ddd.	JOBOB INCORPORATED	2020	1	911	$880.50
eee.	JOBOB INCORPORATED	2020	2	911	$1,316.50
fff.	JOBOB INCORPORATED	2020	3	911	$1,316.50
ggg.	JOBOB INCORPORATED	2020	4	911	$1,316.50
hhh.	JOBOB INCORPORATED	2020	5	911	$1,316.50
iii.	JOBOB INCORPORATED	2020	6	911	$1,316.50
jjj.	JOBOB INCORPORATED	2020	7	911	$1,316.50

kkk.	JOBOB INCORPORATED	2020	8	911	$1,316.50
lll.	JOBOB INCORPORATED	2020	9	911	$1,316.50

2.13. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. MEMPHIS 55 INCORPORATED	2019	2	921	$7,808.40

2.14. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. #1 MEDIA	2007	3	921	$11,952.00
b. #1 MEDIA	2007	4	921	$11,952.00
c. #1 MEDIA	2007	5	921	$11,952.00
d. #1 MEDIA	2007	7	921	$23,904.00
e. #1 MEDIA	2007	9	921	$23,904.00
f. #1 MEDIA	2007	11	921	$23,904.00
g. #1 MEDIA	2007	12	921	$11,952.00
h. #1 MEDIA	2008	1	921	$16,000.00
i. #1 MEDIA	2008	2	921	$58,575.00
j. #1 MEDIA	2008	2	931	$16,000.00
k. #1 MEDIA	2014	1	931	$16,000.00
l. #1 MEDIA	2014	2	931	$54,000.00
m. #1 MEDIA	2014	3	931	$35,000.00
n. #1 MEDIA	2014	4	931	$35,000.00
o. #1 MEDIA	2014	5	931	$35,000.00
p. #1 MEDIA	2014	6	931	$35,000.00
q. #1 MEDIA	2014	7	931	$35,000.00
r. #1 MEDIA	2014	8	931	$35,000.00
s. #1 MEDIA	2014	9	931	$35,000.00
t. #1 MEDIA	2014	10	931	$35,000.00
u. #1 MEDIA	2014	11	930.1	$225,000.00
v. #1 MEDIA	2014	11	931	$35,000.00
w. #1 MEDIA	2014	12	931	$35,000.00
x. #1 MEDIA	2015	1	931	$35,000.00
y. #1 MEDIA	2015	2	931	$35,000.00
z. #1 MEDIA	2015	3	931	$35,000.00
aa. #1 MEDIA	2015	4	931	$35,000.00

2.15. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. JOSIE G INCORPORATED	2015	5	931	$35,000.00
b. JOSIE G INCORPORATED	2015	6	931	$35,000.00
c. JOSIE G INCORPORATED	2015	7	931	$35,000.00
d. JOSIE G INCORPORATED	2015	8	931	$35,000.00
e. JOSIE G INCORPORATED	2015	9	931	$35,000.00
f. JOSIE G INCORPORATED	2015	10	931	$35,000.00
g. JOSIE G INCORPORATED	2015	11	930.1	$225,000.00
h. JOSIE G INCORPORATED	2015	11	931	$35,000.00
i. JOSIE G INCORPORATED	2015	12	921	$19,963.60
j. JOSIE G INCORPORATED	2015	12	930.1	$100,000.00
k. JOSIE G INCORPORATED	2016	1	923	$10,300.80
l. JOSIE G INCORPORATED	2016	2	923	$10,300.80
m. JOSIE G INCORPORATED	2016	3	923	$10,300.80
n. JOSIE G INCORPORATED	2016	4	923	$10,300.80
o. JOSIE G INCORPORATED	2016	5	923	$10,300.80
p. JOSIE G INCORPORATED	2016	6	923	$10,300.80
q. JOSIE G INCORPORATED	2016	7	923	$10,300.80
r. JOSIE G INCORPORATED	2016	9	923	$20,601.60
s. JOSIE G INCORPORATED	2016	10	923	$10,300.80
t. JOSIE G INCORPORATED	2016	11	923	$10,300.80
u. JOSIE G INCORPORATED	2016	12	923	$10,300.80
v. JOSIE G INCORPORATED	2017	1	923	$72,425.30
w. JOSIE G INCORPORATED	2017	2	923	$11,136.00
x. JOSIE G INCORPORATED	2017	3	923	$11,136.00
y. JOSIE G INCORPORATED	2017	4	923	$11,136.00
z. JOSIE G INCORPORATED	2017	5	923	$11,136.00
aa. JOSIE G INCORPORATED	2017	6	923	$11,136.00
bb. JOSIE G INCORPORATED	2017	7	923	$11,136.00
cc. JOSIE G INCORPORATED	2017	8	923	$11,136.00
dd. JOSIE G INCORPORATED	2017	9	923	$11,136.00
ee. JOSIE G INCORPORATED	2017	10	923	$11,136.00
ff. JOSIE G INCORPORATED	2017	11	923	$11,136.00
gg. JOSIE G INCORPORATED	2017	12	923	$73,536.00
hh. JOSIE G INCORPORATED	2018	1	923	$10,509.60
ii. JOSIE G INCORPORATED	2018	2	923	$10,509.60

jj. JOSIE G INCORPORATED	2018	3	923	$10,509.60
kk. JOSIE G INCORPORATED	2018	4	923	$10,509.60
ll. JOSIE G INCORPORATED	2018	5	923	$10,509.60
mm. JOSIE G INCORPORATED	2018	6	923	$10,509.60
nn. JOSIE G INCORPORATED	2018	7	923	$10,509.60
oo. JOSIE G INCORPORATED	2018	8	923	$10,509.60
pp. JOSIE G INCORPORATED	2018	9	923	$10,509.60
qq. JOSIE G INCORPORATED	2018	10	923	$10,509.60
rr. JOSIE G INCORPORATED	2018	11	923	$10,509.60
ss. JOSIE G INCORPORATED	2018	12	923	$10,509.60
tt. JOSIE G INCORPORATED	2019	1	923	$65,416.41
uu. JOSIE G INCORPORATED	2019	2	923	$9,906.40
vv. JOSIE G INCORPORATED	2019	3	923	$9,906.40
ww. JOSIE G INCORPORATED	2019	4	923	$9,906.40
xx. JOSIE G INCORPORATED	2019	5	923	$9,906.40
yy. JOSIE G INCORPORATED	2019	6	923	$9,906.40
zz. JOSIE G INCORPORATED	2019	7	923	$9,906.40
aaa. JOSIE G INCORPORATED	2019	8	923	$14,877.00
bbb. JOSIE G INCORPORATED	2019	9	923	$14,877.00
ccc. JOSIE G INCORPORATED	2019	10	923	$14,877.00
ddd. JOSIE G INCORPORATED	2019	12	923	$29,754.00

2.16. For the following payments, we were unable to identify the supporting invoice, POs, Contract, or Agreement that supports the payment data. Please provide supporting information. If not available, please explain why.

Vendor Name	Year	Period	O&M FERC Account	Total
a. OHIO OUTDOOR ADVERTISING LLC	2015	12	921	$10,652.99
b. OHIO OUTDOOR ADVERTISING LLC	2016	1	923	$10,993.44
c. OHIO OUTDOOR ADVERTISING LLC	2016	2	923	$10,993.44
d. OHIO OUTDOOR ADVERTISING LLC	2016	3	923	$10,993.44
e. OHIO OUTDOOR ADVERTISING LLC	2016	4	923	$10,993.44
f. OHIO OUTDOOR ADVERTISING LLC	2016	5	923	$10,993.44
g. OHIO OUTDOOR ADVERTISING LLC	2016	6	923	$10,993.44
h. OHIO OUTDOOR ADVERTISING LLC	2016	7	923	$13,124.64
i. OHIO OUTDOOR ADVERTISING LLC	2016	8	923	$2,131.20
j. OHIO OUTDOOR ADVERTISING LLC	2016	9	923	$24,118.08
k. OHIO OUTDOOR ADVERTISING LLC	2016	10	923	$13,124.64
l. OHIO OUTDOOR ADVERTISING LLC	2016	11	923	$13,124.64
m. OHIO OUTDOOR ADVERTISING LLC	2016	12	923	$13,124.64
n. OHIO OUTDOOR ADVERTISING LLC	2017	1	923	$13,974.49

o. OHIO OUTDOOR ADVERTISING LLC	2017	2	923	$12,748.80
p. OHIO OUTDOOR ADVERTISING LLC	2017	3	923	$12,748.80
q. OHIO OUTDOOR ADVERTISING LLC	2017	4	923	$12,748.80
r. OHIO OUTDOOR ADVERTISING LLC	2017	5	923	$12,748.80
s. OHIO OUTDOOR ADVERTISING LLC	2017	6	923	$12,748.80
t. OHIO OUTDOOR ADVERTISING LLC	2017	7	923	$10,636.80
u. OHIO OUTDOOR ADVERTISING LLC	2017	8	923	$10,636.80
v. OHIO OUTDOOR ADVERTISING LLC	2017	9	923	$10,636.80
w. OHIO OUTDOOR ADVERTISING LLC	2017	10	923	$10,636.80
x. OHIO OUTDOOR ADVERTISING LLC	2017	11	923	$10,636.80
y. OHIO OUTDOOR ADVERTISING LLC	2017	12	923	$10,636.80
z. OHIO OUTDOOR ADVERTISING LLC	2018	1	923	$9,422.40
aa. OHIO OUTDOOR ADVERTISING LLC	2018	2	923	$12,321.60
bb. OHIO OUTDOOR ADVERTISING LLC	2018	3	923	$12,321.60
cc. OHIO OUTDOOR ADVERTISING LLC	2018	4	923	$12,321.60
dd. OHIO OUTDOOR ADVERTISING LLC	2018	5	923	$12,321.60
ee. OHIO OUTDOOR ADVERTISING LLC	2018	6	923	$12,321.60
ff. OHIO OUTDOOR ADVERTISING LLC	2018	7	923	$12,321.60
gg. OHIO OUTDOOR ADVERTISING LLC	2018	8	923	$12,321.60
hh. OHIO OUTDOOR ADVERTISING LLC	2018	9	923	$12,321.60
ii. OHIO OUTDOOR ADVERTISING LLC	2018	10	923	$12,321.60
jj. OHIO OUTDOOR ADVERTISING LLC	2018	11	923	$12,321.60
kk. OHIO OUTDOOR ADVERTISING LLC	2018	12	923	$12,321.60
ll. OHIO OUTDOOR ADVERTISING LLC	2019	1	923	$1,000,000.00
mm. OHIO OUTDOOR ADVERTISING LLC	2019	1	923	$11,614.40
nn. OHIO OUTDOOR ADVERTISING LLC	2019	2	923	$11,614.40
oo. OHIO OUTDOOR ADVERTISING LLC	2019	3	923	$11,614.40
pp. OHIO OUTDOOR ADVERTISING LLC	2019	4	923	$11,614.40
qq. OHIO OUTDOOR ADVERTISING LLC	2019	5	923	$11,614.40
rr. OHIO OUTDOOR ADVERTISING LLC	2019	6	923	$11,614.40
ss. OHIO OUTDOOR ADVERTISING LLC	2019	8	923	$17,442.00
tt. OHIO OUTDOOR ADVERTISING LLC	2019	9	923	$17,442.00
uu. OHIO OUTDOOR ADVERTISING LLC	2019	10	923	$17,442.00
vv. OHIO OUTDOOR ADVERTISING LLC	2019	12	923	$34,884.00
ww. OHIO OUTDOOR ADVERTISING LLC	2020	1	923	$1,000,000.00

Blue Ridge Set 3 Submitted 4/22/21

3.1. **Recovery Mechanism Rider DCR**: Reference the electronic document PUCO 10-K Request Attachment 1 Confidential.xlsx which presents Vendor Payments Charged/Allocated to the Ohio Companies. Under the Notes section, the second comment states,

> "Capitalized costs would have been included in plant balances used in the calculation of Rider DCR revenue requirements. However, the Companies' aggregate Rider DCR revenue requirements were above the authorized revenue caps for this time period. As such, the Rider DCR rates were set based on the revenue caps, not the revenue requirements, and these capitalized dollars did not have any impact on the Companies' Rider DCR rates in the aggregate. Column (R) identifies which payments had capitalized costs."

As of the date of this request, the PUCO has yet to decide on two Rider DCR audit issues that have been open since 2017; they include Blue Ridge's findings and recommendations on Vegetation Management and Excess Deferred Income Taxes (EDIT). The impact of the prior passed adjustments, combined with the capitalized vendor payments identified above, could potentially reduce the revenue requirement for the open audit years below the caps. Therefore, <u>for all years</u> in which Blue Ridge's recommended adjustments were not adopted, respond to the following items:

a) Please quantify the annual and cumulative impact of each audit issue (i.e., vegetation management, EDIT, and capitalized vendor payments) on the revenue requirement compared to the cap.

b) Please provide a narrative explanation if the Company's quantification deviates from Blue Ridge's computed adjustment in the audit reports.

c) If the open Blue Ridge recommended adjustments are approved by the PUCO and the DCR revenue requirement is reduced, please provide a calculation of the capitalized vendor payments that would be refunded because the DCR revenue requirements would be below the authorized revenue caps.

EXPANDED APPENDIX-B: WORKPAPERS

Blue Ridge's workpapers are available on a confidential USB. The work papers include the following.

- Related Party Searches Directory
- Invoices – all Directory
- SEC Filings Directory
- WP Direct vs Allocated BRC AS-Set 1-INT-003 Attachment 1 Confidential.xlsx
- WP Payments and PO Contracts Invoice Analysis R3.xlsx
- WP Pole Attachment Ratepayers BRC AS-Set 1-INT-010 Attachment 2 Confidential.xlsx
- WP Pole Attachment Rev Req CORRECTED BRC AS-Set 1-INT-010 Attachment 1 Confidential.xlsx
- WP Confidential Analysis and Tables for Report.xlsx